TRUST HOUSE
COMMUNITY ENTERPRISE

Annual Report

2012

"Our key accountability is back to the communities who own us."

CONTENTS 2012

TRUST HOUSE
COMMUNITY ENTERPRISE

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"We can enhance community life by operating businesses that private enterprise may not."

DIRECTOR'S REPORT

PRINCIPAL ACTIVITIES

Trust House Limited is a community enterprise that owns and operates the business units of the Masterton and Flaxmere Licensing Trusts. Management services are provided to the Rimutaka Licensing Trust, the Tararua Foundation and associated Charitable Trusts. Trust House's shareholding comprises:

Masterton Licensing Trust	75.2%
Flaxmere Licensing Trust	3.2%
Flaxmere Licensing (Charitable) Trust	1.4%
Masterton Licensing (Charitable) Trust	20.2%

The Group owns and operates 25 business units including:

- Licenced premises – hotels, restaurants, bars, cafes and bottle stores.
- Supermarkets.
- A Housing estate with 517 homes to rent.
- A hydro electricity scheme (Tararua Foundation).

RESULTS FOR THE YEAR

The difficult trading conditions of the past two to three years intensified during the year, particularly in our rural areas. Cash flows and profits (as detailed in the following table) were sound and the financial position remains strong.

Table 1: Cash flows generated

Year	$
2012	4.965m
2011	4.621m
2010	5.855m
2009	5.547m
2008	5.307m

CHARITABLE DISTRIBUTION

The charitable distribution for the year of $2.754m (2011 $2.886m) was down on the previous years but again followed the traditional procedures: local elected representatives call for, or initiate, donations or projects in their areas, and then make the initial decisions on the extent of the grant. These recommendations are then approved, or not, by the Trust House Foundation. All the Licensing Trusts have established priorities for their communities and there is a high degree of openness, accountability and consultation.

The various reports in this document record the distribution made to each community.

DIRECTORS OF THE COMPANY AND REMUNERATION

The Directors, and the remuneration paid to them for the year ended 31 March 2012 were:

B J Bourke (Chairman)	Appointed 1989	35,000
D B Henry (Chairman, Audit Committee)	Appointed 2005	25,000
S D Blakemore	Appointed 2002	19,000
M C Cooper	Appointed 2011	19,000
J W Kershaw	Appointed 2007	22,000
J P Moriarty	Resigned 2011	6,333
D J Baskerville	Appointed 2011	9,500
Total		135,833

JP Moriarty resigned in July 2011. DJ Baskerville was appointed in September 2011, and SD Blakemore reappointed.

RELATIONSHIP WITH SHAREHOLDERS

There is an agreement with the shareholders that:

- Business plans will be presented in March each year for the financial year beginning 1 April.
- Reports on key events and trading compared to business plan targets will be presented quarterly.
- Annual accounts will be presented in July.
- Consultation will be undertaken during the annual appointment of two Directors.
- Discussion will occur on all major transactions and, where necessary, shareholder approval received.

There are strong and close links between the various Trusts and Trust House Limited.

AUDITORS

The Office of the Controller and Auditor-General have appointed Audit New Zealand to conduct the audit of Trust House Limited and its associated licensing and charitable trusts. Audit fees paid to Audit New Zealand for the year ended 31 March 2012 were $86,404 for Trust House Group.

AUDIT COMMITTEE

The members of the committee are DB Henry (Chairman), BJ Bourke and J W Kershaw. The Committee met four times during the year.

USE OF COMPANY INFORMATION

The Board received no notice during the year from Directors requesting to use Company information received in their capacity as Directors which would not have otherwise been available to them.

SHARE DEALING

No Director acquired or disposed of any interest in shares in the Company during the year.

INTEREST IN TRANSACTIONS

No Director is interested in any transaction (as defined by Section 139 of the Companies Act 1993) or proposed transaction with the Company.

CONCLUSION

Although trading continues to be difficult, good levels of reinvestment in our businesses and community support donations were achieved during the year.

Brian J Bourke

Chairman
For the Directors of Trust House Limited

OPERATIONAL REVIEW

In last year's report we recorded that it had been a difficult trading year. Retail conditions did not improve in 2012 and with significant additional increased property expense, notably insurance and rates, pressure intensified on profits. While this report analyses these trends, it concentrates more on the positioning we are seeking for our business units in the decade ahead.

In any period of very tight trading, it is surely important to have a strong vision of what you seek to achieve. We noted last year that we had reassessed fundamentally our goals and beliefs. During 2012 we completed a review of each of our 25 business units in the context of recent and future performance. Much change continues to occur and some of our traditional markets have limited or no potential for improved profitability, at least in the short to medium term. Almost paradoxically, community enterprises like licensing trusts are enjoying significant growth and support worldwide. Thus it is timely to fundamentally review the opportunities available.

REASONS FOR EXISTENCE, AND ROLES AVAILABLE

In what circumstances is Trust House best employed in the future? If we can answer this question well in each of our communities, we will better relate both to community needs and opportunities. Logically also, we increase the chances for better acceptance by the community.

At the start, context should be acknowledged. We should not attempt to be what we are not: the dominant business structure, private enterprise. We are a complementary institution to private enterprise, not a replacement. We can fill voids of need. We can enhance community life by operating businesses that private enterprise may not; or we may combine businesses in an orderly way to better ensure viability, where an open market environment may simply let the fittest survive; or we may better ensure retention of important services or industries; or we may seek to protect the community from abuse of a monopoly position or sensitive product.

All these roles and more are being pursued by community enterprises worldwide. Pursuit of these roles does not mean we do not have to be competitive. With the absence of equity availability, other than what we generate, the profit disciplines actually are more intense. But our primary purpose is not the business per se, but what we seek to do with them. It's a fine balance and emphasis but the distinction is important. Equally so, the businesses we chose do not need to be forever. There may come a time when private enterprise is best engaged and we should exit.

Our history shows we have not been afraid to innovate and take new paths. Solway Park Hotel was instrumental in the growth of visitor numbers to the Wairarapa in the 1970s and 1980s through to today. The acquisitions of the Housing estate in 1999 and the Kourarau hydroelectric power scheme in 2011, and the combination of small businesses in rural towns are further examples.

Today there offers infrastructure acquisitions important to the community. Whether these eventuate time will tell. But as we pursue these, we will also seek to exit some businesses. Four have been placed for sale, three in Wellington and one supermarket.

MARKET COMMENTARY

While the evidence is increasingly clear that the downturn in our traditional markets is historically significant, the impact is not even with rural areas particularly impaired. The Rugby World Cup, while great for New Zealand, also brought a hangover effect with retail sales immediately dipping after its conclusion.

Not all market segments are affected equally.

Accommodation, although adversely impacted during September and October 2011 when corporate and conference New Zealand shut down, held up reasonably well with occupancies at much the same level as 2011.

Bottle stores is the segment with the greatest downturn as the new wave of family operated discounters and intense supermarket price cutting takes effect. We closed during the year two stand alone stores where sales could not justify their continuing existence.

Bars, cafes and restaurants remain affected by the downturn. This market continues to be difficult and is frequently oversupplied as evidenced by multiple closures throughout the country.

Housing occupancies held up well although in some towns we have a small number of houses surplus to long term demand.

Gaming revenue fell again for the third successive year, which we see as a positive. This sector is not classed as a market but as a service we manage as best we can, moderately and responsibly, in the best interests of the community. The efficiencies achieved operationally are channelled directly back in donation distribution.

The Kourarau hydro electricity scheme, which the Tararua Foundation acquired from Genesis Energy in March 2011, operated well throughout the year, and profitably.

Supermarket sales were a little above the dollar value of 2011. The greatest impact here is the intense competition driven by the largest operators.

REINVESTMENT

The major reinvestment $733,000 this year was the recreation centre, café and golf driving range at Solway Park Hotel. In the last few years this core asset has been almost totally refurbished at a cost of $7.9m.

$452,000 was reinvested in the Housing estate reflecting the continuing commitment to this important community resource. Ongoing support for the healthy homes programme was $78,000 in 2012.

Work has advanced on a communications and operational efficiency upgrade of the Kourarau hydro works that will allow for generation at peak times rather than 'run of the river'.

A number of more minor works such as an upgrade of the Bull and Bear in Plimmer Steps, a new Lotto at the Greytown Supermarket and additional land purchased there were part of a total capital expenditure in 2012 of $2,117,000.

SALES

Overall sales trends of the past five years are reflected in **Table 1**

Year	$m
2012	51.971
2011	53.042
2010	52.935
2009	52.035
2008	48.780

The sales decrease of 2% largely occurred in the second six months of the year and was most impacted in the stand alone bottle store market. Bars and restaurants were also down on the previous year while the community stores, Solway Park Hotel and Housing were up.

PROFITS AND RETURNS

A number of one-off effects have affected the financial results over the last two years. To best example underlying trends and stability Table 2 explains key influences on profit:

Table 2

	2012 $m	2011 $m
Operating profit before interest and depreciation/ impairment	6.405	6.682
Interest	1.440	1.437
Extraordinary interest*	Nil	0.625
Depreciation/Amortisation	1.858	2.197
Impairments	0.162	0.758
Devaluation of properties	0.294	4.220
Net (loss) profit for year	2.651	(2.555)

The underlying profit thus remains sound.

Inevitably, given these results, return on equity, asset backing and the equity ratio all reduced by comparison to previous years.

* *Because of their requirements to meet Reserve Bank ratios, late in the financial year , the WBS requested repayment of debt that had been in existence with THL for some years. A new arrangement was entered into with the BNZ but that precipitated closing out SWAP agreements, thus creating this one-off interest charge.*

Table 3: Equity return

Year	%
2012	6.7
2011	na
2010	9.2
2009	10.3
2008	19.5

Table 4: Asset backing of shares

Year	$
2012	3.72
2011	3.74
2010	4.31
2009	4.21
2008	4.11

Table 5: Equity ratio

Year	%
2012	58.8
2011	58.3
2010	63.2
2009	64.8
2008	67.9

Underlying cash flows, operating profits, asset strength and ratios remain sound but there is caution as to when results will return to those of more recent years. The emphasis on the restructure of business interests thus becomes more important.

KOURARAU HYDRO-ELECTRIC SCHEME

In addition to the generation of energy, this scheme offers considerable community benefit. Cleverly designed in the early 1920s, and now protected as an historic place, recreational and education opportunities are planned as part of a long term community project to enhance a unique area of the Wairarapa.

In the upper lake, restocking of trout occurred during the year, and a retirement and replanting of the lower lake area is under way. Opportunities to open the area to recreational walking are a longer term aspiration.

COMMUNITY SUPPORT DONATIONS

	2012 $	2011 $
Amount of Donations	2.754m	2.886m
Number of Donations	322	349
Total Donations last 10 years (2003-2012)	31.537m	31.150m

In effect our dividend to the community, this function is very active and incorporates, we believe, the best attributes of community involvement and accountability.

RIMUTAKA LICENSING TRUST

The key need for this Trust remains new premises and this together with two new bottle store competitors within a kilometre within the year impacted on profitability. Nonetheless the Trust supported (through the Trust House Foundation) 40 donations totalling $377,665 within their District, and continues to be very active enhancing the quality of life within their community.

FLAXMERE LICENSING TRUST

Like Rimutaka, the Flaxmere Trustees were very active donating $495,266 to 68 organisations. To advance the range of services provided to the community the Trust submitted to the Hastings District Council that access to the Village needs improvement. While acceptance by Council was welcomed, early implementation is desirable so that social, access and well-being issues are better addressed.

CONCLUSION

We have not been immune from the difficulties rural New Zealand is experiencing at present, particularly over the past few months. While cash flows are sound and financial position strong, the key drive is to meet the underlying forces of change so as to better position our Trusts for the future.

Bernard Teahan

Chief Executive

INCOME STATEMENT

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Revenue	5	51,971,481	53,042,458	46,366,293	47,282,651
Less cost of sales		25,725,419	26,950,696	25,725,419	26,950,696
Gross profit		26,246,062	26,091,762	20,640,874	20,331,955
Operating expenses	7	21,908,498	22,399,606	19,051,550	19,597,614
Results from operating activities		4,337,564	3,692,156	1,589,324	734,341
Finance income		46,445	33,978	19,524	21,529
Finance costs		1,439,793	2,061,865	1,439,793	2,061,865
Net finance costs		1,393,348	2,027,887	1,420,269	2,040,336
Net operating profit / (loss)		**2,944,216**	**1,664,269**	**169,055**	**(1,305,995)**
Non operating items	6	(293,653)	(4,219,515)	(293,653)	(4,219,515)
Net profit / (loss) before charitable donations		**2,650,563**	**(2,555,246)**	**(124,598)**	**(5,525,510)**
Charitable donations	23	(2,778,628)	(2,805,489)	(72,000)	(26,000)
Net profit / (loss) for year		**(128,065)**	**(5,360,735)**	**(196,598)**	**(5,551,510)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net profit / (loss)		(128,065)	(5,360,735)	(196,598)	(5,551,510)
Other comprehensive income					
Building impairment charged to equity		(128,724)	-	(128,724)	-
Land and building revaluation	18	-	(710,635)	-	(710,635)
Total other comprehensive income / (expense)		(128,724)	(710,635)	(128,724)	(710,635)
Total comprehensive income / (expense)		**(256,789)**	**(6,071,370)**	**(325,322)**	**(6,262,145)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Equity at the start of the year	18	39,814,097	45,885,467	39,302,461	45,564,606
Total comprehensive income / (expense)		(256,789)	(6,071,370)	(325,322)	(6,262,145)
Equity at the end of the year		**39,557,308**	**39,814,097**	**38,977,139**	**39,302,461**

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

Trust House Limited – Financial Statements

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Current assets					
Cash and cash equivalents	8	1,034,862	1,091,237	270,769	259,805
Trade and other receivables	9	689,234	741,298	804,958	858,021
Prepayments		349,957	353,602	309,443	322,067
Inventories	10	2,771,786	2,729,893	2,771,786	2,729,893
Investment properties held for sale	12	229,000	375,000	229,000	375,000
Property, plant and equipment held for sale	13	2,059,309	-	2,059,309	-
Total current assets		**7,134,148**	**5,291,030**	**6,445,265**	**4,544,786**
Non-current assets					
Other investments	11	338,207	425,662	338,207	425,662
Investment properties	12	35,421,000	35,625,000	35,421,000	35,625,000
Property, plant and equipment	13	23,246,422	25,592,170	22,699,466	24,875,883
Intangible assets	14	1,119,645	1,318,195	989,620	1,031,351
Total non-current assets		**60,125,274**	**62,961,027**	**59,448,293**	**61,957,896**
Total assets		**67,259,422**	**68,252,057**	**65,893,558**	**66,502,682**
Current liabilities					
Trade and other payables	15	3,389,827	3,548,857	3,021,408	3,138,358
Employee entitlements	16	1,094,621	978,661	1,094,621	978,661
Borrowings	17	852,396	1,149,978	852,396	1,149,978
Property reinstatement provision		-	33,184	-	33,184
Charitable donations allocated		417,276	827,240	-	-
Total current liabilities		**5,754,120**	**6,537,920**	**4,968,425**	**5,300,181**
Non-current liabilities					
Employee entitlements	16	105,296	93,107	105,296	93,107
Borrowings	17	21,662,000	21,662,000	21,662,000	21,662,000
Property reinstatement provision		180,698	144,933	180,698	144,933
Total non-current liabilities		**21,947,994**	**21,900,040**	**21,947,994**	**21,900,040**
Equity					
Share capital	18	11,330,740	11,330,740	11,330,740	11,330,740
Retained earnings	18	26,823,190	26,951,255	26,243,021	26,439,619
Asset revaluation reserve	18	1,403,378	1,532,102	1,403,378	1,532,102
Total equity		**39,557,308**	**39,814,097**	**38,977,139**	**39,302,461**
Total liabilities and equity		**67,259,422**	**68,252,057**	**65,893,558**	**66,502,682**

Signed on Behalf of the Trust House Limited

B J Bourke
Chairman

B J Teahan
Chief Executive

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

CASH FLOW

For the Year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		51,828,389	53,000,430	46,218,391	47,250,165
Interest received		46,445	33,978	19,524	21,529
		51,874,834	53,034,408	46,237,915	47,271,694
Cash was applied to:					
Payments to suppliers and employees		45,687,774	46,571,685	43,261,121	44,305,961
Charitable donations		3,188,592	2,579,110	72,000	26,000
Interest paid		1,443,925	2,095,407	1,443,925	2,095,407
		50,320,291	51,246,202	44,777,046	46,427,368
Net cash flows from operating activities	22	**1,554,543**	**1,788,206**	**1,460,869**	**844,326**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		3,500	46,578	500	3,829
Sale of intangibles		4,250	44,064	-	-
Sale of investment property		756,001	170,445	756,001	170,445
		763,751	261,087	756,501	174,274
Cash was applied to:					
Purchase of plant, property and equipment		1,612,121	2,686,378	1,443,858	2,229,241
Purchase of intangible assets		12,993	144,171	12,993	138,931
Upgrading of investment property		451,973	430,793	451,973	430,793
Acquisition of business		-	555,534	-	555,534
		2,077,087	3,816,876	1,908,824	3,354,499
Net cash flows from investing activities		**(1,313,336)**	**(3,555,789)**	**(1,152,323)**	**(3,180,225)**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		-	16,800,000	-	16,800,000
		-	16,800,000	-	16,800,000
Cash was applied to:					
Repayment of borrowings		30,000	15,069,421	30,000	15,069,421
		30,000	15,069,421	30,000	15,069,421
Net cash flows from financing activities		**(30,000)**	**1,730,579**	**(30,000)**	**1,730,579**
Net (decrease) / increase in cash held		211,207	(37,004)	278,546	(605,320)
Opening cash balance		196,259	233,263	(635,173)	(29,853)
Closing cash balance		**407,466**	**196,259**	**(356,627)**	**(635,173)**
This balance is made up as follows:					
Cash and cash equivalents	8	407,466	196,259	(356,627)	(635,173)
		407,466	196,259	(356,627)	(635,173)

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the Constitution of Trust House Limited. The consolidated financial statements of Trust House Limited as at and for the year ended 31 March 2012 comprise of Trust House Limited, Trust House Charitable Trust (a controlled entity which ceased trading on 30 March 2012) and Trust House Foundation (a controlled entity).

Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottle stores, two hotels and three general community stores and a large rental housing portfolio.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 27 June 2012.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement base

The financial statements have been prepared on the historical cost basis except for the following:

- investment property is measured at fair value
- land and buildings are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3 — lease classification
- Note 12 — valuation of investment property
- Note 13 — property, plant and equipment

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Trust House Limited and its subsidiaries as at 31 March each year ('the Group')

The Group financial statements consolidate the financial statement of subsidiaries, using the purchase method.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, liabilities assumed or incurred at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, investments, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a duration of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments and measured at amortised cost.

Trade and other payables

Trade and other payables are stated at amortised cost.

Property, plant and equipment

Recognition and measurement

Land and buildings are revalued every three years to their fair value as determined by an independent registered valuer by reference to their highest and best use. Additions between revaluations are recorded at cost.

The results of land and buildings are credited or debited to an asset revaluation reserve for that individual asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Income Statement.

Plant and equipment, motor vehicles and gaming machines are initially recorded at cost, and depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is calculated on a diminishing value basis on all plant, property and equipment except gaming machines which are calculated on a straight line basis (other than freehold land and items under construction, which are not depreciated), at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The depreciation rates for property, plant and equipment are as follows:

Buildings – structure	3% - 33.3%
Buildings – services and fit out	6.5%
Furniture, equipment and plant	6.67% - 25%
Motor vehicles	20%
Gaming machines and counters	25% - 100%

When the components of an item of property, plant and equipment have different useful lives or provide benefits to the entity in different patterns, thus requiring different depreciation rates and methods, the cost of the item is allocated to its component and each component is accounted for separately.

Intangible Assets

Intangible assets comprise of software acquired by the Group and goodwill on acquired businesses. Intangible assets acquired by the Group which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Software is amortised at a rate of 15-25% per year on a straight line basis.

Goodwill represents the excess of the cost of an acquisition over the fair value of Trust House Limited's share of the identifiable assets, liabilities and contingent liabilities of the acquired business at the acquisition date.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Investment Property

Investment property is stated at valuation, as determined every year by Mr Jerome McKeefry (BBS (VPM), Dip BS (Fin), MPINZ) of Telfer Young (Wellington) Limited, registered valuers. The basis for valuation is fair value. The effective date of the valuation was 31 March 2012. Any increase or decrease in valuation is recognised in the Income Statement. Investment property is not depreciated.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

(i) Impairment of receivables

All individual receivables which are considered to be significant are evaluated on a case by case basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Leases

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased item to the Company and Group are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and the corresponding lease liabilities are recognised in the Balance Sheet. The leased assets are depreciated over its useful life. If there is no certainty as to whether the Company and Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Inventories

Inventories are valued at the lower of cost, on a weighted average basis, and net realisable value.

Employee Entitlements

Provision is made in respect of the Group's liability for annual leave, long service leave, and retirement gratuities.

Annual leave and other entitlements that are expected to be settled within 12 months of the reporting date are measured at nominal values on an actual entitlement basis at a current rate of pay.

Entitlements that are payable beyond 12 months, such as long service leave and retirement gratuities, have been calculated on an actuarial basis on the present value of the expected future entitlements.

A provision for sick leave is recognised where employees have over the past two years taken more sick leave than their yearly allowance and still have accrued sick leave entitlements at year end. The provision is calculated as the number of excess sick leave days over the employees entitlement expected to be taken in the next 12 months times the employees' daily rate.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

(1) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(2) Services

The Group acts as a management company for a number of entities. Revenue for management fees is recognised in accordance with the fees agreed in those contracts.

(3) Rental income

Rental income from investment property is recognised in the Income Statement as it becomes due, adjusted by a provision for doubtful debts.

(4) Gaming machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Investments

Investments in Foodstuffs deferred rebates are initially recognised at fair value by present valuing the future cash flows to be received under the rebate. They are subsequently measured at amortised cost.

Investment in Foodstuffs shares and rebates are accounted for at cost as the fair value of the rebates and shares cannot be reliably measured.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

Long term debt is recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Interest on qualifying assets is capitalised to the asset.

Tax

Trust House Limited is exempt from income tax as the Charities Commission has granted it charitable status. Trust House Charitable Trust is exempt from income tax at balance date as it is a Class IV gaming venue operator. Trust House Foundation is exempt from income tax as it is a Class IV gaming venue operator.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable donations

Charitable donations are recognised when approval is given.

Changes in Accounting Policy

There have been no changes to accounting policies from prior years. All accounting policies have been consistently applied.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property plant and equipment

The fair value of property plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Investment property

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued, values the Group's investment property portfolio every 12 months. The valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

5. REVENUE

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Sales	46,831,920	48,474,565	40,781,732	42,269,758
Services	250,953	140,036	695,953	585,036
Rentals	4,640,927	4,382,473	4,640,927	4,382,473
Gain on sale of investment properties	247,681	45,384	247,681	45,384
Total revenues	51,971,481	53,042,458	46,366,293	47,282,651

6. NON OPERATING ITEMS

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Change in fair value of investment property	12	(293,653)	(805,732)	(293,653)	(805,732)
Revaluation of land and buildings			(3,413,783)		(3,413,783)
		(293,653)	(4,219,515)	(293,653)	(4,219,515)

7. OPERATING EXPENSES

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Administration and financial		1,487,262	1,540,711	1,245,050	1,340,896
Advertising and promotion		1,077,166	1,210,780	1,077,166	1,210,780
Auditor fees					
- Annual audit		86,404	85,277	70,009	68,777
Bad debts written off		14,815	24,922	14,815	24,922
Movement in provision for doubtful debts		37,827	(18,502)	37,827	(18,502)
Depreciation	13	1,655,173	1,988,390	1,327,844	1,718,356
Amortisation	14	202,723	209,200	54,724	27,447
Impairment of goodwill		-	120,000	-	120,000
Impairment of property, plant and equipment	13	162,326	638,094	162,326	638,094
Loss / (gain) on sale of plant and equipment		1,239	(29,623)	-	-
Loss / (gain) on sale of intangible assets		4,570	23,704	-	-
Gaming machine duty and licences		1,825,036	1,847,876	-	-
Property expenses		4,643,795	4,113,541	4,448,838	3,932,540
Rent and lease expenses	20	832,589	808,567	735,378	697,635
Employee costs		9,741,740	9,710,177	9,741,740	9,710,177
Directors fees		135,833	126,492	135,833	126,492
		21,908,498	22,399,606	19,051,550	19,597,614

8. CASH AND CASH EQUIVALENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Bank balances	764,232	832,351	139	919
Cash floats	270,630	258,886	270,630	258,886
Cash and cash equivalents	1,034,862	1,091,237	270,769	259,805
Bank overdrafts used for cash management purposes	(627,396)	(894,978)	(627,396)	(894,978)
Cash and cash equivalents used in the Statement of Cash Flows	407,466	196,259	(356,627)	(635,173)

The carrying value of cash at bank, cash floats and bank overdrafts is equal to fair value.

9. TRADE AND OTHER RECEIVABLES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Trade receivables	670,679	672,541	670,679	672,541
Less provision for impairment	(88,939)	(51,112)	(88,939)	(51,112)
	581,740	621,429	581,740	621,429
Sundry receivables	107,494	119,869	223,218	236,592
	689,234	741,298	804,958	858,021

Ageing of Trade receivables

The status of trade receivables at the reporting date is as follows:

Group and parent	Not past due	1-30 days	31-60 days	60 days+	Total
31 March 2012	427,332	116,868	14,306	112,173	670,679
31 March 2011	500,138	90,418	14,833	67,152	672,541

As at 31 March 2012 trade receivables of $88,939 (2011: $51,112) were past due and considered impaired and trade receivables of $154,408 (2011: $121,291) were past due but not considered impaired.

Movements in the provision for impairment of receivables are as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
As at 1 April	51,112	69,614	51,112	69,614
Additional provisions made during the year	53,038	6,113	53,038	6,113
Receivables written off during the year	(15,211)	(24,615)	(15,211)	(24,615)
Balance at the end of the year	88,939	51,112	88,939	51,112

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The individually impaired receivables relate mainly to customers that are in difficult economic circumstances.

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10. INVENTORIES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Raw materials and consumables	61,890	65,058	61,890	65,058
Goods available for sale	2,709,896	2,664,835	2,709,896	2,664,835
	2,771,786	2,729,893	2,771,786	2,729,893

Inventory comprises goods available for sale and food ingredients.

11. OTHER INVESTMENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Non current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	156,494	267,764	156,494	267,764
	156,494	267,764	156,494	267,764
Non current investments (at cost)				
Foodstuffs Ltd - shares and rebates	171,713	157,898	171,713	157,898
Loan to Tararua Foundation	10,000	-	10,000	-
	181,713	157,898	181,713	157,898
Total non current investments	338,207	425,662	338,207	425,662

12. INVESTMENT PROPERTY

	Group and Parent 2012 $	Group and Parent 2011 $
Balance at 1 April	36,000,000	36,500,000
Properties sold during the year	(508,320)	(125,061)
Improvements	451,973	430,793
Change in fair value	(293,653)	(805,732)
Balance at 31 March	35,650,000	36,000,000
Classified as:		
Current - available for sale at 31 March	229,000	375,000
Non Current	35,421,000	35,625,000
	35,650,000	36,000,000

Investment property comprises 517 (2011: 524) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March.

All investment properties were valued based on an investment approach basis. The valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer Young, Wellington. Telfer Young are an experienced valuer with extensive market knowledge in the types of investment properties owned by the Group.

	Group and Parent 2012 $	Group and Parent 2011 $
Rental income	4,620,240	4,373,732
Expenses from investment property generating income	1,834,027	1,657,158

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2010	27,744,310	8,636,697	236,455	-	373,426	36,990,888
Assets acquired through business combinations	-	3,610	-	-	-	3,610
Additions	1,803,590	997,397	19,156	-	(213,823)	2,606,320
Disposals	-	(715,442)	(9,777)	-	-	(725,219)
Reclassification	(1,392,549)	-	-	1,547,715	(155,166)	-
Revaluation of land and buildings*	(7,029,677)	-	-	-	-	(7,029,677)
Balance at 31 March 2011	**21,125,674**	**8,922,262**	**245,834**	**1,547,715**	**4,437**	**31,845,922**
Balance at 1 April 2011	21,125,674	8,922,262	245,834	1,547,715	4,437	31,845,922
Additions	1,146,914	362,823	40,744	18,642	96,364	1,665,487
Disposals	-	(55,275)	(6,698)	-	-	(61,973)
Reclassified as available for sale**	(2,031,511)	(137,010)	-	-	-	(2,168,521)
Balance at 31 March 2012	**20,241,077**	**9,092,800**	**279,880**	**1,566,357**	**100,801**	**31,280,915**
Depreciation and impairment losses						
Balance at 1 April 2010	2,003,332	5,125,168	112,290	-	-	7,240,790
Depreciation for the year	1,252,057	708,828	27,505	-	-	1,988,390
Impairment loss	326,319	311,775	-	-	-	638,094
Disposals	-	(702,844)	(5,420)	-	-	(708,264)
Reclassification	(34,931)	-	-	34,931	-	
Revaluation of land and buildings*	(2,905,258)	-	-	-	-	(2,905,258)
Balance at 31 March 2011	**641,519**	**5,442,927**	**134,375**	**34,931**	**-**	**6,253,752**
Balance at 1 April 2011	641,519	5,442,927	134,375	34,931	-	6,253,752
Depreciation for the year	908,835	710,509	24,877	10,952	-	1,655,173
Impairment loss	291,050	-	-	-	-	291,050
Disposals	-	(51,036)	(5,234)	-	-	(56,270)
Reclassified as available for sale**	(42,852)	(66,360)	-	-	-	(109,212)
Balance at 31 March 2012	**1,798,552**	**6,036,040**	**154,018**	**45,883**	**-**	**8,034,493**
Carrying amounts						
At 1 April 2010	25,740,978	3,511,529	124,165	-	373,426	29,750,098
At 31 March 2011	20,484,155	3,479,335	111,459	1,512,784	4,437	25,592,170
At 1 April 2011	20,484,155	3,479,335	111,459	1,512,784	4,437	25,592,170
At 31 March 2012	18,442,525	3,056,760	125,862	1,520,474	100,801	23,246,422

* Freehold land and buildings were revalued at 31 March 2011, the revaluation resulted in a loss of $4,124,419.

** After a strategic review a small number of Group properties have been put up for sale.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent	Land and buildings $	Furniture and plant $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2010	27,744,310	4,395,318	236,455	-	373,426	32,749,509
Assets acquired through business combinations	-	3,610	-	-	-	3,610
Other additions	1,803,590	544,022	19,156	-	(213,823)	2,152,945
Disposals	-	(3,610)	(9,777)	-	-	(13,387)
Reclassification	(1,392,549)	-	-	1,547,715	(155,166)	-
Revaluation of land and buildings*	(7,029,677)	-	-	-	-	(7,029,677)
Balance at 31 March 2011	**21,125,674**	**4,939,340**	**245,834**	**1,547,715**	**4,437**	**27,863,000**
Balance at 1 April 2011	21,125,674	4,939,340	245,834	1,547,715	4,437	27,863,000
Other additions	1,146,914	200,586	40,744	18,642	96,364	1,503,250
Disposals	-	-	(6,698)	-	-	(6,698)
Reclassified as available for sale**	(2,031,511)	(137,010)	-	-	-	(2,168,521)
Balance at 31 March 2012	**20,241,077**	**5,002,916**	**279,880**	**1,566,357**	**100,801**	**27,191,031**
Depreciation and impairment losses						
Balance at 1 April 2010	2,003,332	1,425,723	112,290	-	-	3,541,345
Depreciation for the year	1,252,057	438,794	27,505	-	-	1,718,356
Impairment loss	326,319	311,775	-	-	-	638,094
Disposals	-	-	(5,420)	-	-	(5,420)
Reclassification	(34,931)	-	-	34,931	-	-
Revaluation of land and buildings*	(2,905,258)	-	-	-	-	(2,905,258)
Balance at 31 March 2011	**641,519**	**2,176,292**	**134,375**	**34,931**	**-**	**2,987,117**
Balance at 1 April 2011	641,519	2,176,292	134,375	34,931	-	2,987,117
Depreciation for the year	908,835	383,180	24,877	10,952	-	1,327,844
Impairment loss	291,050	-	-	-	-	291,050
Disposals	-	-	(5,234)	-	-	(5,234)
Reclassified as available for sale**	(42,852)	(66,360)	-	-	-	(109,212)
Balance at 31 March 2012	**1,798,552**	**2,493,112**	**154,018**	**45,883**	**-**	**4,491,565**
Carrying amounts						
At 1 April 2010	25,740,978	2,969,595	124,165	-	373,426	29,208,164
At 31 March 2011	20,484,155	2,763,048	111,459	1,512,784	4,437	24,875,883
At 1 April 2011	20,484,155	2,763,048	111,459	1,512,784	4,437	24,875,883
At 31 March 2012	18,442,525	2,509,804	125,862	1,520,474	100,801	22,699,466

* Freehold land and buildings were revalued at 31 March 2011, the revaluation resulted in a loss of $4,124,419.

** After a strategic review a small number of Group properties have been put up for sale.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation - Land and Buildings

At fair value as determined from market based evidence by an independent valuer. The most recent valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer-Young Wellington and the valuation is effective as at 31 March 2011. The valuations were primarily based on the rental capitalisation methodology, depreciated replacement cost is used as a support method. Total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2011 was $19,424,000.

Featherston Development

Development in progress includes assets purchased and other costs incurred as part of a proposed development in Featherston. Trust House Limited considers these assets are not impaired at 31 March 2012.

Impairment

Impairment losses of $291,050 were recognised in 2011/12 in relation to the building at 9 Russell Street, Masterton. The impairment arose as the ground rent for the site rose significantly during the year, reducing the net rental potential of the building. Of the $291,050 impairment $128,724 has been charged to the asset revaluation reserve and $163,326 charged through profit and loss. The impairment was determined by fair value of the property. Prior year impairments totalled $638,094.

14. INTANGIBLE ASSESTS

	Group			Parent		
	Goodwill $	Software $	Total $	Goodwill $	Software $	Total $
Cost						
Balance at 1 April 2010	674,000	1,802,473	2,476,473	674,000	379,717	1,053,717
Acquisition through business combinations	436,390	-	436,390	436,390	-	436,390
Additions	-	22,565	22,565	-	17,325	17,325
Disposals	-	(806,805)	(806,805)	-	-	-
Balance at 31 March 2011	**1,110,390**	**1,018,233**	**2,128,623**	**1,110,390**	**397,042**	**1,507,432**
Balance at 1 April 2011	**1,110,390**	**1,018,233**	**2,128,623**	**1,110,390**	**397,042**	**1,507,432**
Additions	-	12,993	12,993	-	12,993	12,993
Disposals	-	(24,610)	(24,610)	-	-	-
Balance at 31 March 2012	**1,110,390**	**1,006,616**	**2,117,006**	**1,110,390**	**410,035**	**1,520,425**
Amortisation and impairment losses						
Balance at 1 April 2010	319,000	901,263	1,220,263	319,000	9,631	328,631
Amortisation for the year	-	209,202	209,202	-	27,450	27,450
Impairment loss	120,000	-	120,000	120,000	-	120,000
Disposals	-	(739,037)	(739,037)	-	-	-
Balance at 31 March 2011	**439,000**	**371,428**	**810,428**	**439,000**	**37,081**	**476,081**
Balance at 1 April 2011	439,000	371,428	810,428	439,000	37,081	476,081
Amortisation for the year	-	202,723	202,723	-	54,724	54,724
Disposals	-	(15,790)	(15,790)	-	-	-
Balance at 31 March 2012	**439,000**	**558,361**	**997,361**	**439,000**	**91,805**	**530,805**
Carrying amounts						
At 1 April 2010	355,000	901,210	1,256,210	355,000	370,086	725,086
At 31 March 2011	671,390	646,805	1,318,195	671,390	359,961	1,031,351
At 1 April 2011	671,390	646,805	1,318,195	671,390	359,961	1,031,351
At 31 March 2012	671,390	448,255	1,119,645	671,390	318,230	989,620

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INTANGIBLES (CONTINUED)

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to three cash generating units (CGU's) for impairment testing as follows:

Featherston Post and Lotto Shop

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management. The forecast covers a five year period for a portion of the business which would be retained within the Group and moved to another trading unit, regardless of the trading performance of this individual business. The discount rate applied to cash flow projections is 9.0% (2011 9.0%).

Chungs Supermarket

Goodwill of $436,390 was recognised on the 2010 acquisition and has been apportioned to the Featherston Community Store ($291,000) and Liquor Plus Featherston ($145,390) businesses as these were expected to benefit when the Chungs business ceased trading shortly after being acquired. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period. The discount rate applied to cash flow projections is 9.0% (2011: 9.0%).

(ii) Carrying amount of goodwill allocated to each group of cash generating units

	Group and Parent 2012 $	Group and Parent 2011 $
Featherston Post and Lotto Shop	235,000	235,000
Featherston Community Store	291,000	291,000
Featherston Liquor Plus	145,390	145,390
Total Goodwill	671,390	671,390

(iii) Key assumptions used in value in use calculations for cash generating units

The calculation of value in use for all CGU's is most sensitive to the following assumptions; gross margins, discount rates and growth rates used. Gross margins are based on the average achieved in the last 12 months. For the purposes of impairment testing a terminal growth rate has been used for all segments based on long-term industry averages.

(iv) Sensitivity to changes in assumptions

With regard to the assessment of the value in use for all CGU's, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed its recoverable amount.

15. TRADE AND OTHER PAYABLES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Trade creditors	1,866,440	2,245,646	1,650,706	2,039,134
Interest payable	44,603	48,735	44,603	48,735
Capital payables	100,746	41,354	100,746	41,354
Intangible payables	-	6,026	-	-
Accrued expenses	1,275,465	1,062,820	1,122,780	864,859
Revenue in advance	102,573	144,276	102,573	144,276
	3,389,827	3,548,857	3,021,408	3,138,358

16. EMPLOYEE ENTITLEMENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Current portion				
Accrued pay	232,086	142,390	232,086	142,390
Annual leave	844,987	816,006	844,987	816,006
Provision for staff long service / retirement benefits	12,808	12,808	12,808	12,808
Sick pay	4,740	7,457	4,740	7,457
	1,094,621	978,661	1,094,621	978,661
Non-current portion				
Provision for staff long service / retirement benefits	105,296	93,107	105,296	93,107
	1,199,917	1,071,768	1,199,917	1,071,768

17. BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing borrowings. For more information about the Company's exposure to interest rate risk see Note 19.

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Non-current liabilities				
Secured bank loans	21,662,000	21,662,000	21,662,000	21,662,000
	21,662,000	21,662,000	21,662,000	21,662,000
Current liabilities				
Bank overdrafts	627,396	894,978	627,396	894,978
Other loans	225,000	255,000	225,000	255,000
	852,396	1,149,978	852,396	1,149,978

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group and Parent	Nominal interest rate	Year of maturity	Face value 2012 $	Carrying amount 2012 $	Face value 2011 $	Carrying amount 2011 $
Secured BNZ Bank loan	5.75%-6.70%	2017	15,000,000	15,000,000	15,000,000	15,000,000
Secured ANZ National Bank loan	6.70%-7.64%	2014	6,662,000	6,662,000	6,662,000	6,662,000
Other loans	3.25%	2016	225,000	225,000	255,000	255,000
Bank overdrafts	8.75%	On demand	627,396	627,396	894,978	894,978
Total interest-bearing liabilities			22,514,396	22,514,396	22,811,978	22,811,978

The ANZ National Bank loans are secured with registered first mortgages over land and buildings with a carrying amount of $16,488,419 (2011: $16,690,000). The ANZ National Bank also has a general charge over Trust House Limited's assets.

The BNZ loans are secured by first charge mortgages over the residential housing portfolio. A secondary security is also held over the rental income stream from the housing portfolio.

18. CAPITAL AND RESERVES

Group	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2010	11,330,740	2,242,737	32,311,990	45,885,467
Total comprehensive income / (expense)	-	(710,635)	(5,360,735)	(6,071,370)
Balance at 31 March 2011	11,330,740	1,532,102	26,951,255	39,814,097
Balance at 1 April 2011	11,330,740	1,532,102	26,951,255	39,814,097
Total comprehensive income / (expense)	-	(128,724)	(128,065)	(256,789)
Balance at 31 March 2012	11,330,740	1,403,378	26,823,190	39,557,308
Number of shares on issue at 31 March 2012	10,637,000	(2011: 10,637,000)		

Parent	Share capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2010	11,330,740	2,242,737	31,991,129	45,564,606
Total comprehensive income / (expense)	-	(710,635)	(5,551,510)	(6,262,145)
Balance at 31 March 2011	11,330,740	1,532,102	26,439,619	39,302,461
Balance at 1 April 2011	11,330,740	1,532,102	26,439,619	39,302,461
Total comprehensive income / (expense)	-	(128,724)	(196,598)	(325,322)
Balance at 31 March 2012	11,330,740	1,403,378	26,243,021	38,977,139

The number of shares on issue at 31 March 2012 was 10,637,000 (2011: 10,637,000).

All issued shares are fully paid up and have no par value.

The revaluation reserve relates to the revaluation of land and buildings at 31 March 2011.

19. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Group's business.

Credit Risk

Management has a process in place under which each new customer seeking credit with the Group is individually analysed for credit worthiness and assigned a purchase limit before credit is offered.

The Group does not require collateral in respect of trade and other receivables, except in relation to rental properties where bonds are required and lodged with the Tenancy Tribunal.

The Group's exposure to credit risk is mainly influenced by its customer base, as such it is concentrated to the default risk of its industry. No single customer balance would be considered material.

Investments are allowed only in call or short term deposits with specified counterparties.

Credit quality of financial assets

Cash and cash equivalents are held with the ANZ National Bank which currently has a Standard and Poor's credit rating of AA. Trade and other receivables are all with counterparties without credit ratings with no history of default with Trust House Limited in the past.

FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Overdrafts and credit lines in place	1,500,000	2,000,000	1,500,000	2,000,000

Interest rate risk

The Group regularly reviews the balance between its fixed rate and floating rate borrowings. The Group has flexibility within its borrowing facilities to move between fixed and floating rates as required.

Other market price risk

The Group is not exposed any other substantial market price risk arising from financial instruments.

Quantitative disclosures

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(a) Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities

	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Group 2012						
Secured bank loans	21,662,000	27,781,685	1,415,874	1,415,874	9,762,237	15,187,700
Other loans	225,000	252,468	7,313	7,313	237,842	-
Trade and other payables	3,389,827	3,389,827	3,389,827	-	-	-
Bank overdraft	627,396	627,396	627,396	-	-	-
Total non-derivative liabilities	25,904,223	32,051,376	5,440,410	1,423,187	10,000,079	15,187,700
Group 2011						
Secured bank loans	21,662,000	30,009,548	1,432,529	1,432,529	10,267,490	16,877,000
Other loans	255,000	292,476	37,875	7,875	246,726	-
Trade and other payables	3,548,857	3,548,857	3,548,857	-	-	-
Bank overdraft	894,978	894,978	894,978	-	-	-
Total non-derivative liabilities	26,360,835	34,745,859	5,914,239	1,440,404	10,514,216	16,877,000
Parent 2012						
Secured bank loans	21,662,000	27,781,685	1,415,874	1,415,874	9,762,237	15,187,700
Other loans	225,000	252,468	7,313	7,313	237,842	-
Trade and other payables	3,021,408	3,021,408	3,021,408	-	-	-
Bank overdraft	627,396	627,396	627,396	-	-	-
Total non-derivative liabilities	25,535,804	31,682,957	5,071,991	1,423,187	10,000,079	15,187,700
Parent 2011						
Secured bank loans	21,662,000	30,009,548	1,432,529	1,432,529	10,267,490	16,877,000
Other loans	255,000	292,476	37,875	7,875	246,726	-
Trade and other payables	3,138,358	3,138,358	3,138,358	-	-	-
Bank overdraft	894,978	894,978	894,978	-	-	-
Total non-derivative liabilities	25,950,336	34,335,360	5,503,740	1,440,404	10,514,216	16,877,000

FINANCIAL INSTRUMENTS (CONTINUED)

(b) Sensitivity analysis

Interest Rate Risk

The effect of a +100bps change in interest rates applicable to the floating rate financial instruments held by the Group is a reduction in profit of $68,879 (2011:$70,906) and for the Company a reduction in profit of $75,144 (2011:$78,120).

(c) Classification and fair values

Group 2012	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	338,207	338,207	338,207
Trade and other receivables	689,234	689,234	689,234
Prepayments	349,957	349,957	349,957
Cash and cash equivalents	1,034,862	1,034,862	1,034,862
Total assets	2,412,260	2,412,260	2,412,260
Liabilities			
Trade and other payables	3,389,827	3,389,827	3,389,827
Borrowings	22,514,396	22,514,396	22,514,396
Total liabilities	25,904,223	25,904,223	25,904,223
Group 2011			
Assets			
Investments	425,662	425,662	425,662
Trade and other receivables	741,298	741,298	741,298
Prepayments	353,602	353,602	353,602
Cash and cash equivalents	1,091,237	1,091,237	1,091,237
Total assets	2,611,799	2,611,799	2,611,799
Liabilities			
Trade and other payables	3,548,857	3,548,857	3,548,857
Borrowings	22,811,978	22,811,978	22,811,978
Total liabilities	26,360,835	26,360,835	26,360,835

FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification and fair values (continued)

Parent 2012	Loans and receivables $	Total carrying amount $	Fair value $
Assets			
Investments	338,207	338,207	338,207
Trade and other receivables	804,958	804,958	804,958
Prepayments	309,443	309,443	309,443
Cash and cash equivalents	270,769	270,769	270,769
Total assets	1,723,377	1,723,377	1,723,377
Liabilities			
Trade and other payables	3,021,408	3,021,408	3,021,408
Borrowings	22,514,396	22,514,396	22,514,396
Total liabilities	25,535,804	25,535,804	25,535,804
Parent 2011			
Assets			
Investments	425,662	425,662	425,662
Trade and other receivables	858,021	858,021	858,021
Prepayments	322,067	322,067	322,067
Cash and cash equivalents	259,805	259,805	259,805
Total assets	1,865,555	1,865,555	1,865,555
Liabilities			
Trade and other payables	3,138,358	3,138,358	3,138,358
Borrowings	22,811,978	22,811,978	22,811,978
Total liabilities	25,950,336	25,950,336	25,950,336

20. OPERATING LEASES

Non cancellable operating leases are payable as follows:

	Group and Parent 2012 $	Group and Parent 2011 $
Less than one year	758,040	720,379
Between 1 and 2 years	716,477	648,653
Between 2 and 5 years	1,143,292	1,677,863
Over 5 years	1,391,492	3,737,080
	4,009,301	6,783,975

The Group leases a number of hospitality premises, vehicles and equipment under operating leases. During the year ended 31 March 2012 $735,378 was recognised as an expense in the Income Statement in respect of operating leases (2011: $697,635).

21. COMMITMENTS AND CONTINGENCIES

The Group and Parent had no capital commitments at 31 March 2012 (2011; $Nil).

The Group and Parent had contingent liabilities of $55,000 as at 31 March 2012 (2011: $55,000) in relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited.

Trust House Limited has a contingent liability in relation to a dispute with C and C Franchising relating to termination of the Cobb & Co Franchise in Masterton due to the franchisors' poor performance.

C and C Franchising is claiming $200,000 and Trust House is counter claiming for $200,000.

22. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net surplus/(deficit) for year	(128,065)	(5,360,735)	(196,598)	(5,551,510)
Add (less) non-cash items:				
Depreciation	1,655,173	1,988,390	1,327,844	1,718,356
Software amortised	202,723	209,202	54,724	27,450
Revaluation of investment properties	293,653	805,732	293,653	805,732
Property reinstatement provision	2,581	(96,608)	2,581	(96,608)
Revaluation of land and buildings	-	3,413,783	-	3,413,783
Goodwill impairment	-	120,000	-	120,000
Fixed assets impairment	162,326	638,094	162,326	638,094
Loss on sale of intangibles	4,570	23,704	-	-
Loss on sale of fixed assets	2,203	-	964	4,138
Gain on sale of fixed assets	-	(29,623)	-	-
Gain on sale of investment property	(247,681)	(45,384)	(247,681)	(45,384)
Investments issued in lieu of rebates	87,455	58,255	87,455	58,255
	2,163,003	7,085,545	1,681,866	6,643,816
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	55,709	(139,091)	65,687	(138,854)
(Increase)/decrease in inventories	(41,893)	498,518	(41,893)	498,518
Increase/(decrease) in charitable distributions payable	(409,964)	226,379	-	-
Increase/(decrease) in employee entitlements	128,149	14,260	128,149	14,260
Increase/(decrease) in trade and other payables	(212,396)	(536,670)	(176,342)	(621,904)
	(480,395)	63,396	(24,399)	(247,980)
Net cash flow from operating activities	1,554,543	1,788,206	1,460,869	844,326

23. RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

The immediate parent and ultimate controlling party of Trust House Limited is the Masterton Licensing Trust.

(ii) Transactions with key management personnel

Several of the Directors of Trust House Limited own or run businesses in their own right. A number of these entities transacted with the Group in the period and are disclosed below. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

During the year the company purchased accommodation from the Highwayman Motel a business in which B J Teahan, Chief Executive of Trust House, is a Director. During the year the company purchased services valued at $150 (2011: $2,413). The balance outstanding at year end was $Nil (2011 $1,443). The Highwayman purchased goods from Trust House valued at $5,724 (2011: $8,836). The balance outstanding at year end was $655 (2011: $1,273).

RELATED PARTY TRANSACTIONS (CONTINUED)

During the year Directors and senior management, as part of a normal customer relationship, were involved in minor transactions with Trust House Limited (such as purchase of meals, liquor or groceries). Directors and senior management are entitled to a 10% discount on non-discounted goods. These buying privileges are available to all employees.

During the year the company purchased promotional material from Mangan Graphics a business which is owned by Ray Southey a Trustee of Masterton Licensing Trust the parent of Trust House Limited. The Company purchased goods valued at $17,281(2011: $10,587). The balance outstanding at year end was $939 (2011: $557).

Craig Cooper a Director of Trust House Limited is a board member of Pukaha Mt Bruce (resigned 31st January 2012), Wairarapa Community Counselling Centre and a committee member of the Golden Shears Society. During the year Pukaha Mt Bruce received a grant from Trust House Charitable Trust of $30,000 (2011: $80,000). During the year Wairarapa Community Counselling Centre received a grant from Trust House Charitable Trust of $Nil (2011: $5,000). During the year the Golden Shears Society received grants from Trust House Foundation of $65,000 (2011: from THCT $30,000).

When reviewing grant applications, Directors and Trustees will declare any interest in potential recipient organisations and recuse themselves from the discussion on the grant application.

The General Manager of Solway Park and one board member of Trust House Limited are on the board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $249,923 (2011: from Trust House Charitable Trust $245,344). Destination Wairarapa purchased $Nil (2011: $956) of goods and services from Trust House Limited. The amount outstanding at year end was $Nil (2011: $48). Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $2,233 (2011: $2,820). The amount outstanding at year end was $Nil (2011: $1,725).

Trust House Limited provides accounting services to Destination Wairarapa. During the year Destination Wairarapa paid $23,750 (2011 $20,000) for these services.

(iii) Key management personnel compensation

	2012 $	2011 $
Salaries and other short term benefits	1,057,642	1,071,498
Post employment benefits	1,641	7,314
Other long term benefits	-	-
Termination benefits	-	-
	1,059,283	1,078,812

Key management personnel compensation comprises that of the Directors, Chief Executive and other senior managers.

(iv) Other related party transactions

(a) Masterton Licensing Trust (MLT)

	2012	2011
Shares in Trust House Ltd (number of shares)	8,000,000	8,000,000
	$	$
Management fees paid by MLT to Trust House Ltd	15,000	10,000
Royalty fees paid by Trust House Ltd to MLT	69,000	81,500
Loan from MLT to Trust House Ltd	-	30,000
Trust House Ltd provided goods and services to MLT on an arms length basis	942	1,076

(b) Masterton Licensing (Charitable) Trust (MLCT)

	2012	2011
Shares in Trust House Ltd (number of shares)	2,150,000	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	36,000	22,000
Management fees paid by MLCT to Trust House Ltd	35,000	25,000
Trust House Ltd provided goods and services to MLCT on an arms length basis	20,779	22,965

RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Flaxmere Licensing (Charitable) Trust (FLCT)

	2012	2011
Shares in Trust House Ltd (number of shares)	150,000	150,000
	$	$
Term Loan to Trust House Limited	225,000	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	25,000	-

(d) Flaxmere Licensing Trust (FLT)

	2012	2011
Shares in Trust House Ltd (number of shares)	337,000	337,000
	$	$
Management fees paid by FLT to Trust House Ltd	5,000	-

(e) Tararua Foundation Incorporated (TF)

	2012 $	2011 $
Donations paid by Trust House Ltd to TF	36,000	4,000
Management fees paid by TF to Trust House Ltd	50,000	-
Loan advance to TF by Trust House Limited	10,000	-
Grant from Trust House Foundation to TF	500,000	-
Grant from Trust House Charitable Trust to TF	490,000	-

(f) Trust House Charitable Trust (THCT)

(i) Trust House Charitable Trust is an independent Charitable Trust. Some of the Directors of Trust House Ltd are also Trustees of Trust House Charitable Trust.

(ii) Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Ltd. By agreement the Trust House Charitable Trust allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Charitable Trust. Once they are approved by the charitable arms, payment is made by the Trust House Charitable Trust direct to the organisation receiving the grant.

Trust House Charitable Trust is in the process of being wound up. At 31 March 2012 it had no assets or liabilities. The functions previously performed by the Trust House Charitable Trust are now carried out by the Trust House Foundation see (g) below.

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds available 1st April	511,636	320,861
Net surplus before charitable distributions	349,630	2,970,263
Grants unclaimed	24,287	107,058
Grants approved	(885,553)	(2,886,546)
Funds available 31st March	-	511,636

Trust House Ltd is responsible for administeringTrust House Charitable Trust

	2012 $	2011 $
Site Rentals paid by THCT to Trust House Ltd	134,116	966,538
Management fees paid by THCT to Trust House Ltd	74,167	445,000

RELATED PARTY TRANSACTIONS (CONTINUED)

THCT has paid the following entities for services performed by the entities on behalf of THCT:

	2012 $	2011 $
Masterton Licensing (Charitable) Trust	7,667	34,125
Rimutaka Trust	5,750	34,125
Flaxmere Licensing (Charitable) Trust	5,750	-
	19,167	68,250

THCT has paid the following grants:

	2012 $	2011 $
Masterton Licensing (Charitable) Trust	-	25,671
Rimutaka Trust	-	12,000
Flaxmere Licensing (Charitable) Trust	10,000	9,580
	10,000	47,251

As at 31 March 2012, the Trust House Charitable Trust owed Trust House Limited $Nil (2011: $116,723)

(g) Trust House Foundation (THF)

(i) Trust House Foundation is an independent Foundation. Some of the Directors of Trust House Ltd are also Trustees of Trust House Foundation.

(ii) Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Ltd. By agreement the Trust House Foundation allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Foundation. Once they are approved by the charitable arms, payment is made by the Trust House Foundation direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds Available 1st April	-	-
Net Surplus before Charitable Distributions	2,425,531	-
Grants Unclaimed	22,871	-
Grants Approved	(1,868,233)	-
Funds Available 31st March	580,169	-

Trust House Ltd is responsible for administering Trust House Foundation

	2012 $	2011 $
Site rentals paid by THF to Trust House Ltd	809,059	-
Management fees paid by THF to Trust House Ltd	370,833	-

THF has paid the following entities for services performed by the entities on behalf of THF:

	2012 $	2011 $
Masterton Licensing Charitable Trust	38,333	-
Rimutaka Trust	28,750	-
Flaxmere Licensing Charitable Trust	28,750	-
	67,083	-

RELATED PARTY TRANSACTIONS (CONTINUED)

THF has paid the following grants:

	2012 $	2011 $
Masterton Licensing Charitable Trust	26,674	-
Rimutaka Trust	10,828	-
Flaxmere Licensing Charitable Trust	7,149	-
	44,651	-

As at 31 March 2012, the Trust House Foundation owed Trust House Limited $115,724 (2011: $Nil).

(h) Rimutaka Licensing Trust (RLT)

Trust House has an agreement to manage the operations of the Rimutaka Licensing Trust

	2012 $	2011 $
Management Fees paid by RLT to Trust House Ltd	70,000	60,000
Site Rentals paid by Trust House Foundation to RLT	85,114	-
Site Rentals paid by Trust House Charitable Trust to RLT	14,095	110,932
Owed to Trust House Limited for payments made on behalf of RLT	9,084	17,841

(i) Rimutaka Trust

Trust House has an agreement to manage the operations of the Rimutaka Trust

	2012 $	2011 $
Management Fees paid by RT to Trust House Ltd	25,000	25,000
Owed to Trust House Limited for payments made on behalf of RT	3,092	3,000

24. GROUP ENTITIES

Subsidiaries

Trust House Charitable Trust is a controlled entity and has ceased trading at balance date .

Trust House Foundation is a controlled entity.

25. SUBSEQUENT EVENTS

On the 15th June Trust House Limited entered into an unconditional contract to sell Liquorland Hutt City.

The sale is estimated to reduce profit by $17,000 per annum.

26. CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a capital base so as to maintain creditor and community confidence and to sustain future development of the business.

The Group is not subject to any externally imposed capital requirements.

There have been no material changes in the Group's management of capital during the period.

INDEPENDENT AUDITOR'S REPORT

To the readers of Trust House Limited and Group's financial statements for the year ended 31 March 2012

The Auditor-General is the auditor of Trust House Limited (the Company) and Group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Company and Group on her behalf.

We have audited the financial statements of the Company and Group on pages 8 to 31, that comprise the Statement of Financial Position as at 31 March 2012, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements of the Company and Group on pages 8 to 31:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's:
    - financial position as at 31 March 2012; and
    - financial performance and cash flows for the year ended on that date.

OPINION ON OTHER LEGAL REQUIREMENTS

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company and Group as far as appears from an examination of those records.

Our audit was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Company and Group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and the audit report on the Company's subsidiary Trust House Foundation's forecast financial statements for the year ending 31 March 2013 in accordance with the requirements of the Department of Internal Affairs, we have no relationship with or interests in the company or its subsidiaries.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Trust House Limited and Group for the year ended 31 March 2012 included on the Trust House Limited and Group's website. The Board of Directors is responsible for the maintenance and integrity of the Trust House Limited and Group's website. We have not been engaged to report on the integrity of Trust House Limited and Group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2012 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

"Much change is occurring. During periods of great change the temptation is always there to see the future as an extension of the past."

INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 $	2011 $
Income			
Revenue		5,990,823	-
Interest received		11,484	-
Total income		6,002,307	-
Operating expenses	4	3,576,776	-
Net surplus before charitable distributions		2,425,531	-
Charitable distribution	5	(1,845,362)	-
Net surplus/ (deficit)		580,169	-

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 $	2011 $
Net surplus/(deficit) for year	580,169	-
Other comprehensive income	-	-
Total comprehensive income for the period	580,169	-

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2012

	2012 $	2011 $
Equity at start of year	-	-
Total comprehensive income	580,169	-
Equity at end of year	580,169	-

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

Trust House Foundation – Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 $	2011 $
Current Assets			
Cash and cash equivalents	8	764,093	-
Prepayments		40,514	-
Total Current Assets		804,607	-
Non-Current Assets			
Plant and equipment	6	546,956	-
Intangible assets	7	130,025	-
Total Non-Current Assets		676,981	-
Total Assets		1,481,588	-
Current Liabilities			
Trade and other payables	10	484,143	-
Charitable distribution allocated		417,276	-
Total Current Liabilities		901,419	-
Equity			
Retained earnings	11	580,169	-
Total equity		580,169	-
Total Liabilities and Equity		**1,481,588**	-

Signed on Behalf of the Trust House Foundation

B J Bourke
Chairman

B J Teahan
Chief Executive

TRUST HOUSE FOUNDATION – Financial Statements

STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash was provided from:			
Gaming machine revenue		5,990,823	-
Interest received		11,484	-
		6,002,307	-
Cash was applied to:			
Payments to suppliers		2,874,772	-
Charitable distributions		1,428,086	-
GST (net)		(142,845)	-
		4,160,012	-
Net cash inflows/ (outflows) from operating activities	12	1,842,295	-
Cash flows from investing activities			
Cash was provided from:			
Sale of plant and equipment		3,000	-
Sale of intangible assets		4,250	-
		7,250	-
Cash was applied to:			
Purchase of plant and equipment		823,568	-
Purchase of intangible assets		261,884	-
		1,085,452	-
Net cash inflows/(outflows) from investing activities		(1,078,202)	-
Net increase/(decrease) in cash held		764,093	-
Opening cash balance		-	-
Closing cash balance		764,093	-
Closing cash is made up of:			
Cash and cash equivalents		764,093	-
		764,093	-

Trust House Foundation – Financial Statements

STATEMENT OF ACCOUNTING POLICIES

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Trust Deed of the Trust House Foundation and the Charitable Trusts Act 1957.

Trust House Foundation runs a number of class IV gaming venues and distributes profits by way of charitable donations.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements of Trust House Foundation are for the year ended 31 March 2012. The financial statements were approved by the Trustees on 27 June 2012.

(b) Measurement base

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Measurement uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Plant and equipment

Recognition and measurement

Plant and equipment consists of gaming machines and other related equipment. Plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated on a straight line basis on all plant and equipment assets at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The depreciation rates for plant and equipment is 25% per annum.

Intangible Assets

Intangible assets comprise of software acquired by the Trust. Intangible assets acquired by the Trust which have finite lives are measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation rate for intangible assets is 25%, calculated on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Revenue

Gaming machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Tax

The Trust House Foundation is exempt from Income Tax.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Donations

Charitable Donations are recognised when approval is given.

4. OPERATING EXPENSES

Details of operating expenses are:

	2012 $	2011 $
Administration and financial	478,388	-
Audit fees	9,840	-
Gaming machines licences	74,876	-
Depreciation	272,373	-
Amortisation of intangible assets	123,039	-
Ems monitoring	79,739	-
Loss on disposal of asset	1,239	-
Loss on disposal of intangibles	4,570	-
Service, maintenance and insurance expenses	158,685	-
Gaming machines duty	1,377,889	-
Problem gambling levy	101,964	-
Site rentals	894,174	-
	3,576,776	-

5. CHARITABLE DISTRIBUTION

Details of charitable distributions are:

	2012 $	2011 $
Charitable distributions approved	1,868,233	-
Add back - distributions not uplifted	(21,599)	-
- distributions refunded	(1,272)	-
	1,845,362	-

Trust House Foundation is required by regulation 10 of the Gambling Act 2003 to return a minimum of 37.12% of revenue to the community by way of charitable donations. Trust House Foundation replaced Trust House Charitable Trust, which is in the process of being wound up, as the charitable arm of the Trust House Group. When the return to community of both Trust House Charitable Trust and Trust House Foundation for 2012 are combined the return is 38.54%.

6. PLANT AND EQUIPMENT

	Plant and equipment $
Cost	
Balance at 1 April 2010	-
Additions	-
Disposals	-
Balance at 31 March 2011	-
Balance at 1 April 2011	-
Additions	823,568
Disposals	(4,926)
Balance at 31 March 2012	818,642
Depreciation and impairment losses	
Balance at 1 April 2010	-
Depreciation for the year	-
Disposals	-
Balance at 31 March 2011	-
Balance at 1 April 2011	-
Depreciation for the year	272,373
Disposals	(687)
Balance at 31 March 2012	271,686
Carrying amounts	
At 1 April 2010	-
At 31 March 2011	-
At 1 April 2011	-
At 31 March 2012	546,956

7. INTANGIBLE ASSETS

	Gaming software $
Cost	
Balance at 1 April 2010	-
Additions	-
Disposals	-
Balance at 31 March 2011	-
Balance at 1 April 2011	-
Additions	261,884
Disposals	(11,895)
Balance at 31 March 2012	249,989
Amortisation and impairment losses	
Balance at 1 April 2010	-
Amortisation for the year	-
Disposals	-
Balance at 31 March 2011	-
Balance at 1 April 2011	-
Amortisation for the year	123,039
Disposals	(3,075)
Balance at 31 March 2012	119,964
Carrying amounts	
At 1 April 2010	-
At 31 March 2011	-
At 1 April 2011	-
At 31 March 2012	130,025

8. CASH AND CASH EQUIVALENTS

These comprise of deposits held on call at banks.

9. FINANCIAL INSTRUMENTS

Classification and fair value

The carrying amount of financial instruments approximates their fair value.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Trust's business.

Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity requirements on an ongoing basis. In general, the Trust generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following table sets out the contractual cash flows for all financial liabilities.

	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
2011				
Trade and other payables	-	-	-	-
Charitable distributions payable	-	-	-	-
Total non-derivative liabilities	-	-	-	-
2012				
Trade and other payables	484,143	-	-	-
Charitable distributions payable	417,276	-	-	-
Total non-derivative liabilities	901,419	-	-	-

10. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Gaming machine duty payable	177,911	-
Problem gambling levy payable	13,165	-
Goods and services tax payable	142,845	-
Audit fees payable	9,840	-
Trade creditors	140,382	-
	484,143	-

11. RETAINED EARNINGS

Gaming machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Limited. By agreement the Trust House Foundation allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to consider grant applications and make recommendations to the Trust House Foundation. Once they are approved by the charitable arms, payment is made by the Trust House Foundation direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2012 $	2011 $
Flaxmere Licensing (Charitable) Trust		
Funds available 1st April	-	-
Net surplus before charitable distributions	401,455	-
Grants written off/refunded	6,851	-
Grants approved	(283,338)	-
Funds available 31st March	124,968	-
Masterton Licensing (Charitable) Trust		
Funds available 1st April	-	-
Net surplus before charitable distributions	1,677,765	-
Grants written off/refunded	9,076	-
Grants approved	(1,403,775)	-
Funds available 31st March	283,066	-
Rimutaka Trust		
Funds available 1st April	-	-
Net surplus before charitable distributions	346,311	-
Grants written off/refunded	6,944	-
Grants approved	(181,120)	-
Funds available 31st March	172,135	-
Totals		
Funds available 1st April	-	-
Net surplus before charitable distributions	2,425,531	-
Grants written off/refunded	22,871	-
Grants approved	(1,868,233)	-
Funds available 31st March	580,169	-

12. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 $	2011 $
Net Surplus/(Deficit) for Year	580,169	-
Add/(less) non-cash items:		
Depreciation	272,373	-
Amortisation	123,039	-
	395,412	-
Add/(less) movements in working capital items		
(Increase)/decrease in debtors and prepayments	(40,514)	-
Increase/(decrease) in charitable distribution payable	417,276	-
Increase/(decrease) in payables and accruals	484,143	-
	860,905	-
Add/(less) investing activities		
Loss on sale of intangible assets	4,570	-
Loss on sale of plant and equipment	1,239	-
	5,809	-
Net cash flow from operating activities	1,842,295	-

13. OPERATING LEASES

The Trust does not have any term commitment in relation to operating leases. It did however pay, in a manner prescribed by the Department for Internal Affairs, site rentals for the gaming in the Trust House Limited and Rimutaka Licensing Trust premise, where its gaming machines are located. Details of these payments are in Note 15.

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Trust House Foundation has no contingent liabilities or commitments as at 31 March 2012 (2011: Nil).

15. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Foundation is considered to be a controlled entity of Trust House Limited. The ultimate controlling party is the Masterton Licensing Trust.

(a) Trust House Limited

(i) The Trust House Foundation is an independent Charitable Trust. Four Trustees of the Trust House Foundation are also Directors of Trust House Limited.

(ii) Trust House Limited is also responsible for administering the Foundation. Any transactions between this Foundation, Trust House Limited and its shareholder Trusts are carried out on a commercial and arms length basis.

(iii) The Trust House Foundation paid $370,833 for management fees to Trust House Limited in 2011/12 (2010/11: $Nil).

(iv) In 2011/12 the Trust House Foundation paid site rentals of $809,059 to Trust House Limited (2010/11: $Nil).

(v) As at 31 March 2012, the Trust House Foundation owed Trust House Limited $115,724 (2010/11: $Nil).

RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Flaxmere Licensing Trust/ Flaxmere Licensing (Charitable) Trust

(i) One Trustee from the Flaxmere Licensing Trust is also a Trustee of the Trust House Foundation.

(ii) By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Flaxmere Tavern (owned by Trust House Limited).

(iii) In 2011/12 the Trust House Foundation made charitable distributions of $7,149 to the Flaxmere Licensing (Charitable) Trust (2010/11: $Nil).

(iv) As at 31 March 2012, the Trust House Foundation owed the Flaxmere Licensing Trust $Nil (2010/11: $Nil).

(v) In 2011/12 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $28,750 for services on behalf of the Trust House Foundation (2010/11: $Nil).

(c) Rimutaka Licensing Trust/ Rimutaka Trust

(i) One Trustee from the Rimutaka Licensing Trust is also a Trustee of the Trust House Foundation.

(ii) By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Rimutaka Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Rimutaka Tavern (owned by the Rimutaka Licensing Trust).

(iii) In 2011/12 the Trust House Foundation paid site rentals of $85,114 to the Rimutaka Licensing Trust (2010/11: $Nil).

(iv) In 2011/12 the Trust House Foundation paid the Rimutaka Trust $28,750 for services on behalf of the Trust House Foundation (2010/11: $Nil).

(v) In 2011/12 the Trust House Foundation made charitable distributions of $10,828 to the Rimutaka Trust (2010/11: $Nil).

(vi) As at 31 March 2012, the Trust House Foundation owed the Rimutaka Licensing Trust $11,114 (2010/11: $Nil).

(d) Masterton Licensing Trust/ Masterton Licensing (Charitable) Trust

(i) Four Trustees from the Masterton Licensing Trust/ Masterton Licensing (Charitable) Trust are also Trustees of the Trust House Foundation.

(ii) By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Masterton Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the premises of Trust House Limited (partly owned by the Masterton Licensing Trust).

(iii) In 2011/12 the Trust House Foundation paid the Masterton Licensing (Charitable) Trust $38,333 for services on behalf of the Trust House Foundation (2010/11: $Nil).

(iv) In 2011/12 the Trust House Foundation made charitable distributions of $26,674 to the Masterton Licensing (Charitable) Trust (2010/11: $Nil).

(e) Tararua Foundation Incorporated

(i) Two Trustees from the Tararua Foundation Incorporated are also Trustees of the Trust House Foundation.

(ii) In 2011/12 the Trust House Foundation paid the Tararua Foundation Incorporated $Nil for services on behalf of the Trust House Foundation (2010/11: $Nil).

(iii) In 2011/12 the Trust House Foundation made charitable distributions of $500,000 to the Tararua Foundation Incorporated (2010/11: $Nil).

(f) Trust House Charitable Trust

The Trust House Charitable Trust, which has ceased trading, is a controlled entity with the same parent as the Trust House Foundation

During the year the Trust House Charitable Trust sold its gaming machines and associated equipment to Trust House Foundation at book value of $924,574 by way of an interest free loan. Trust House Foundation repaid the loan in instalments with the final payment in February 2012.

16. CAPITAL MANAGEMENT

The Trust's capital includes retained earnings. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Trust equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Trust's equity is to ensure the Trust achieves its goals and objectives for which it has been established, whilst remaining a going concern.

INDEPENDENT AUDITOR'S REPORT

To the readers of Trust House Foundation's financial report for the year ended 31 March 2012

The Auditor-General is the auditor of the Trust House Foundation (the Foundation) pursuant to section 107 of the Gambling Act 2003. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial report of the Foundation, on her behalf.

We have audited the financial report of the Foundation on pages 36 to 45, that comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION ON THE FINANCIAL REPORT

In our opinion the financial report of the Foundation on pages 36 to 45:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Foundation's:
  - financial position as at 31 March 2012; and
  - financial performance and cash flows for the year ended on that date.

OPINION ON OTHER LEGAL MATTERS

In our opinion proper accounting records have been kept by the Foundation as far as appears from our examination of those records.

Our audit was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporates the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial report. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Foundation's financial report that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial report; and
- the overall presentation of the financial report.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial report. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing a financial report that:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects the Foundation's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as it determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from the Gambling Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial report and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Gambling Act 2003.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and the report on the forecast financial statements of the Foundation for the year ending 31 March 2013 in accordance with the requirements of the Department of Internal Affairs, we have no relationship with or interests in the Foundation.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General, Wellington , New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Trust House Foundation and Group for the year ended 31 March 2012 included on the Trust House Foundation's website. The Trustees are responsible for the maintenance and integrity of the Trust House Foundation's website. We have not been engaged to report on the integrity of Trust House Foundation's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2012 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

"We seek to run profitable businesses so that a 'donation dividend' may be returned to the community."

INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 $	2011 $
Income			
Revenue		1,004,540	7,171,345
Interest received		15,437	12,449
Gain on sale of fixed assets		-	37,860
Total income		1,019,977	7,221,654
Operating expenses	*5*	670,347	4,251,390
Net surplus before charitable distributions		349,630	2,970,264
Charitable distribution	*6*	(861,266)	(2,779,489)
Net surplus/(deficit)		(511,636)	190,775

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 $	2011 $
Net surplus/(deficit) for year	(511,636)	190,775
Other comprehensive income	-	-
Total comprehensive income for the period	(511,636)	190,775

STATEMENT OF MOVEMENTS IN EQUITY

For The Year Ended 31 March 2012

	2012 $	2011 $
Equity at start of year	511,636	320,861
Total comprehensive income	(511,636)	190,775
Equity at end of year	-	511,636

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	*9*	-	831,432
Prepayments		-	31,535
Total current assets		-	862,967
Non-current assets			
Fixed Assets	*7*	-	716,287
Intangible Assets	*8*	-	286,844
Total non-current assets		-	1,003,131
Total assets		-	1,866,098
Current liabilities			
Trade and other payables	*11*	-	527,222
Charitable Distribution Allocated		-	827,240
Total current liabilities		-	1,354,462
Equity			
Retained Earnings	*12*	-	511,636
Total equity		-	511,636
Total liabilities and equity		-	**1,866,098**

Signed on Behalf of the Trust House Charitable Trust

B J Bourke
Chairman

B J Teahan
Chief Executive

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash was provided from:			
Gaming machine revenue		1,004,540	7,171,345
Interest received		15,437	12,449
		1,019,977	7,183,794
Cash was applied to:			
Payments to suppliers		904,656	3,761,948
Charitable distributions		1,688,506	2,553,110
GST (net)		181,461	(75,520)
		2,774,623	6,239,538
Net cash inflows/ (outflows) from operating activities	13	(1,754,646)	944,256
Cash flows from investing activities			
Cash was provided from:			
Sale of plant and equipment		662,691	38,610
Sale of intangible assets		261,883	44,065
		924,574	82,675
Cash was applied to:			
Purchase of plant and equipment		1,360	453,375
Purchase of intangible assets		-	5,240
		1,360	458,615
Net cash inflows/(outflows) from investing activities		923,214	(375,940)
Net increase/(decrease) in cash held		(831,432)	568,316
Opening cash balance		831,432	263,116
Closing cash balance		-	831,432
Closing cash is made up of:			
Cash and cash equivalents		-	831,432
		-	831,432

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF ACCOUNTING POLICIES

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Trust Deed of the Trust House Charitable Trust, the Charitable Trusts Act 1957.

Trust House Charitable Trust previously ran a number of class IV gaming venues and distributed profits by way of charitable donations.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements of Trust House Charitable Trust are for the year ended 31 March 2012. The financial statements were approved by the Trustees on 27 June 2012.

(b) Measurement base

The financial statements have been prepared on the historical cost basis.

The financial statements have been prepared on a dissolution basis explained in Note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Measurement uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Plant and equipment

Recognition and measurement

Plant and equipment consists of gaming machines and other related equipment. Plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated on a straight line basis on all fixed assets at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The depreciation rates for plant and equipment is 25% per annum.

Intangible Assets

Intangible assets comprise of software acquired by the Trust. Intangible assets acquired by the Trust which have finite lives are measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation rate for intangible assets is 25% and is calculated on a straight line basis.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Revenue

(1) Gaming machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Tax

The Trust House Charitable Trust is exempt from Income Tax.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Distributions

Charitable Distributions are recognised when approval is given.

4. GOING CONCERN

During a sector wide review of class 4 gaming societies the Department of Internal Affairs identified a potential inconsistency between the Trust Deed of Trust House Charitable Trust and the grants approved. In order to resolve this issue a new entity - The Trust House Foundation - with wider authorised purposes under its Deed has been established. On the 22nd May 2011 Trust House Charitable Trust sold its gaming machines to the Trust House Foundation. On the 30th March 2012 Trust House Charitable Trust ceased trading and closed its bank accounts and it is intended to dissolve the Trust as soon as practicable, as a result these accounts have been prepared on a dissolution basis.

5. OPERATING EXPENSES

Details of operating expenses are:

	2012 $	2011 $
Administration and financial	108,657	559,707
Audit fees	6,555	16,500
Gaming machines licences	22,166	91,028
Depreciation	54,956	270,034
Amortisation of intangible assets	24,960	181,753
Ems monitoring	20,428	85,108
Loss on disposal of asset	-	8,237
Loss on disposal of intangibles	-	23,704
Service, maintenance and insurance expenses	36,272	181,001
Gaming machines duty	231,044	1,631,801
Problem gambling levy	17,097	125,047
Site rentals	148,212	1,077,470
	670,347	4,251,390

6. CHARITABLE DISTRIBUTIONS

Details of charitable distributions are:

	2012 $	2011 $
Charitable distributions approved	885,553	2,886,546
Add back - distributions not uplifted	(19,983)	(97,275)
- distributions refunded	(4,304)	(9,782)
	861,266	2,779,489

7. PLANT AND EQUIPMENT

	Plant and equipment $
Cost	
Balance at 1 April 2010	4,241,379
Additions	453,375
Disposals	(711,832)
Balance at 31 March 2011	3,982,922
Balance at 1 April 2011	3,982,922
Additions	1,360
Disposals	(3,984,282)
Balance at 31 March 2012	-
Depreciation and impairment losses	
Balance at 1 April 2010	3,699,445
Depreciation for the year	270,034
Disposals	(702,844)
Balance at 31 March 2011	3,266,635
Balance at 1 April 2011	3,266,635
Depreciation for the year	54,956
Disposals	(3,321,591)
Balance at 31 March 2012	-
Carrying amounts	
At 1 April 2010	541,934
At 31 March 2011	716,287
At 1 April 2011	716,287
At 31 March 2012	-

8. INTANGIBLE ASSETS

	Gaming Software $
Cost	
Balance at 1 April 2010	1,422,756
Additions	5,240
Disposals	(806,805)
Balance at 31 March 2011	621,191
Balance at 1 April 2011	621,191
Additions	-
Disposals	(621,191)
Balance at 31 March 2012	-
Amortisation and impairment losses	
Balance at 1 April 2010	891,632
Amortisation for the year	181,752
Disposals	(739,037)
Balance at 31 March 2011	334,347
Balance at 1 April 2011	334,347
Amortisation for the year	24,960
Disposals	(359,307)
Balance at 31 March 2012	-
Carrying amounts	
At 1 April 2010	531,124
At 31 March 2011	286,844
At 1 April 2011	286,844
At 31 March 2012	-

9. CASH AND CASH EQUIVALENTS

These comprise of deposits held on call at banks.

10. FINANCIAL INSTRUMENTS

Classification and fair value

The carrying amount of financial instruments approximates their fair value.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Trust's business. Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity requirements on an ongoing basis. In general, the Trust generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. The following table sets out the contractual cash flows for all financial liabilities:

	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
2011				
Trade and other payables	527,222	-	-	-
Charitable distributions payable	827,240	-	-	-
Total non-derivative liabilities	1,354,462	-	-	-
2012				
Trade and other payables	-	-	-	-
Charitable distributions payable	-	-	-	-
Total non-derivative liabilities	-	-	-	-

11. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Gaming machine duty payable	-	184,658
Problem gambling levy payable	-	13,665
Goods and services tax payable	-	181,461
Audit fees payable	-	16,500
Capital payables	-	-
Intangible payables	-	6,026
Trade creditors	-	124,912
	-	527,222

12. RETAINED EARNINGS

Gaming machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Limited. By agreement the Trust House Charitable Trust allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to consider grant applications and make recommendations to the Trust House Charitable Trust. Once they are approved by the charitable arms, payment is made by the Trust House Charitable Trust direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2012 $	2011 $
Flaxmere Licensing (Charitable) Trust		
Funds available 1st April	147,497	209,482
Net surplus before charitable distributions	48,448	507,115
Grants written off/refunded	15,983	39,167
Grants approved	(211,928)	(608,267)
Funds available 31st March	-	147,497
Masterton Licensing (Charitable) Trust		
Funds available 1st April	215,137	(12,077)
Net surplus before charitable distributions	253,818	2,014,493
Grants written off/refunded	8,125	53,548
Grants approved	(477,080)	(1,840,827)
Funds available 31st March	-	215,137
Rimutaka Trust		
Funds available 1st April	149,002	123,456
Net surplus before charitable distributions	47,364	448,655
Grants written off/refunded	179	14,343
Grants approved	(196,545)	(437,452)
Funds available 31st March	-	149,002
Totals		
Funds available 1st April	511,636	320,861
Net surplus before charitable distributions	349,630	2,970,263
Grants written off/refunded	24,287	107,058
Grants approved	(885,553)	(2,886,546)
Funds available 31st March	-	511,636

13. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 $	2011 $
Net surplus/(deficit) for year	(511,636)	190,775
Add/(less) non-cash items:		
Depreciation	54,956	270,034
Amortisation	24,960	181,753
	79,916	451,787
Add/(less) movements in working capital items		
(Increase)/decrease in debtors and prepayments	31,535	(751)
Increase/(decrease) in charitable distribution payable	(827,240)	226,379
Increase/(decrease) in payables and accruals	(527,221)	81,985
	(1,322,926)	307,613
Add/(less) investing activities		
Loss on sale of intangible assets	-	23,703
(Gain) / loss on sale of fixed assets	-	(29,622)
	-	(5,919)
Net cash flow from operating activities	(1,754,646)	944,256

14. OPERATING LEASES

The Trust does not have any term commitment in relation to operating leases. It did however pay, in a manner prescribed by the Department for Internal Affairs, site rentals for the gaming in the Trust House Limited and Rimutaka Licensing Trust venues, where its gaming machines were located until they were sold to the Trust House Foundation on 22 May 2011. Details of these payments are in Note 17.

15. CONTINGENT LIABILITIES AND COMMITMENTS

The Trust House Charitable Trust has no contingent liabilities or commitments as at 31 March 2012 (2011: Nil).

16. BANK OVERDRAFT

The Trust has an unused Bank Overdraft Facility with the ANZ National Bank. This facility is secured by a guarantee from Trust House Limited.

17. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Trust is considered to be a controlled entity of Trust House Limited. The ultimate controlling party is the Masterton Licensing Trust.

(a) Trust House Limited

(i) The Trust House Charitable Trust is an independent Charitable Trust. Four Trustees of the Trust House Charitable Trust are also Directors of Trust House Limited.

(ii) Trust House Limited is also responsible for administering the Trust. Any transactions between this Trust, Trust House Limited and its shareholder Trusts are carried out on a commercial and arms length basis.

(iii) The Trust House Charitable Trust paid $74,167 for management fees to Trust House Limited in 2011/12 (2010/11: $445,000).

(iv) In 2011/12 the Trust House Charitable Trust paid site rentals of $134,116 to Trust House Limited (2010/11: $966,538).

(v) As at 31 March 2012, the Trust House Charitable Trust owed Trust House Limited $Nil (2010/11: $116,723).

(b) Flaxmere Licensing Trust/ Flaxmere Trust

(i) One Trustee from the Flaxmere Licensing Trust is also a Trustee of the Trust House Charitable Trust.

(ii) By arrangement, the Trust House Charitable Trust accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Flaxmere Tavern (owned by Trust House Limited).

RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) In 2011/12 the Trust House Charitable Trust made charitable distributions of $10,000 to the Flaxmere Licensing (Charitable) Trust (2010/11: $9,580).

(iv) As at 31 March 2012, the Trust House Charitable Trust owed the Flaxmere Licensing Trust $Nil (2010/11: $Nil).

(v) In 2011/12 the Trust House Charitable Trust paid the Flaxmere Licensing (Charitable) Trust $5,750 for services on behalf of the Trust House Charitable Trust (2010/11: $Nil).

(c) Rimutaka Licensing Trust/ Rimutaka Trust

(i) One Trustee from the Rimutaka Licensing Trust is also a Trustee of the Trust House Charitable Trust.

(ii) By arrangement, the Trust House Charitable Trust accepts recommendations from the Trustees of the Rimutaka Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Rimutaka Tavern (owned by the Rimutaka Licensing Trust).

(iii) In 2011/12 the Trust House Charitable Trust paid site rentals of $14,095 to the Rimutaka Licensing Trust (2010/11: $110,932).

(iv) In 2011/12 the Trust House Charitable Trust paid the Rimutaka Trust $5,750 for services on behalf of the Trust House Charitable Trust (2010/11: $34,125).

(v) In 2011/12 the Trust House Charitable Trust made charitable distributions of $Nil to the Rimutaka Trust (2010/11: $12,000).

(vi) As at 31 March 2012, the Trust House Charitable Trust owed the Rimutaka Licensing Trust $Nil (2010/11: $5,904).

(d) Masterton Licensing Trust/ Masterton Licensing (Charitable) Trust

(i) Four Trustees from the Masterton Licensing Trust/ Masterton Licensing (Charitable) Trust are also Trustees of the Trust House Charitable Trust.

(ii) By arrangement, the Trust House Charitable Trust accepts recommendations from the Trustees of the Masterton Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the premises of Trust House Limited (partly owned by the Masterton Licensing Trust).

(iii) In 2011/12 the Trust House Charitable Trust paid the Masterton Licensing (Charitable) Trust $7,667 for services on behalf of the Trust House Charitable Trust (2010/11: $34,125).

(iv) In 2011/12 the Trust House Charitable Trust made charitable distributions of $Nil to the Masterton Licensing (Charitable) Trust (2010/11: $25,671).

(e) Tararua Foundation Incorporated

(i) Two Trustee from the Tararua Foundation Incorporated is also a Trustee of the Trust House Charitable Trust.

(ii) In 2011/12 the Trust House Charitable Trust paid the Tararua Foundation Incorporated $Nil for services on behalf of the Trust House Charitable Trust (2010/11: $Nil).

(iii) In 2011/12 the Trust House Charitable Trust made charitable distributions of $490,000 to the Tararua Foundation Incorporated (2010/11: $25,000).

(f) Trust House Foundation

The Trust House Foundation is a controlled entity with the same parent as the Trust House Charitable Trust

During the year the Trust House Charitable Trust sold its gaming machines and associated equipment to Trust House Foundation at book value of $924,574 by way of an interest free loan. Trust House Foundation repaid the loan in instalments with the final payment in February 2012.

18. CAPITAL MANAGEMENT

The Trust's capital includes retained earnings. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Trust equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Trust's equity is to ensure the Trust achieves its goals and objectives for which it has been established, whilst remaining a going concern.

INDEPENDENT AUDITOR'S REPORT

To the readers of Trust House Charitable Trust's financial statements for the year ended 31 March 2012

The Auditor-General is the auditor of Trust House Charitable Trust (the Trust). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust, on her behalf.

We have audited the financial statements of the Trust on pages 50 to 59, that comprise the Statement of Financial Position as at 31 March 2012, the Income Statement, Statement of Comprehensive Income, Statement of Movements in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion, the financial statements of the Trust on pages 50 to 59, that are prepared on a dissolution basis:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
  - financial position as at 31 March 2012; and
  - financial performance and cash flows for the year ended on that date.

Emphasis of matter - the financial statements are appropriately prepared on a dissolution basis

Without modifying our opinion, we draw your attention to accounting policy 2(b) and Note 4 about the financial statements being prepared on a dissolution basis. We consider the dissolution basis to be appropriate as the Trust is intended to be dissolved as soon as practicable.

Our audit was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from the Trust Deed of the Trust.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Trust Deed of the Trust.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Trust.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Trust House Charitable Trust and Group for the year ended 31 March 2012 included on the Trust House Charitable Trust website. The Trustees are responsible for the maintenance and integrity of the Trust House Charitable Trust website. We have not been engaged to report on the integrity of Trust House Charitable Trust website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2012 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

MASTERTON LICENSING TRUST

"Community enterprises (like Licensing Trusts) are a concept that endears and endures."

Photo credit: Selwyn Pawson (dec'd)

PRESIDENT'S REPORT

The present Board is almost halfway through its current term and the six members continue to work as a non-political and harmonious way to look after the assets of the Licensing Trust. Through its shareholding, our Board is responsible for the custody of assets now of excess of $60m. The Board must also approve all major transactions of Trust House Limited. There continues to be a very full and open exchange of information between Trust House Limited and the Masterton Licensing Trust.

The past year's trading is best described as being difficult and that trend has continued into the first few months of the financial year. There is no doubt that management have some tough decisions to make regarding non-performing assets. The landscape of our traditional business has changed markedly from what it was even just five years ago. No part of our business has been immune from the downturn. That's not to say there have not been some high points. A recent decision to establish a small convenience store at Solway is an indication that we have confidence in that location and that the new business will be successful.

The Kourarau Dam has been successfully brought into the management schedule of Trust House and better communication equipment being installed should deliver increased returns. There are also some significant recreational areas around the dam which should, when developed, produce a pleasant experience for visitors.

The sale of alcohol continues to get 'bad press'. Communities continue to try and restrict the number of outlets selling alcohol and the news media tends to exaggerate the problems of a small number of people. The significant reduction in the road toll must in some way reflect the more responsible attitude of drinkers. If we are to improve society's behaviour related to alcohol there must be a reduction of its availability and a minimum price regime. It is not as simple as raising the drinking age to 20. Excess alcohol creates problems at all ages.

Given the variety of business operated indirectly by Masterton Licensing Trust, I feel that we Board members are fortunate to serve on probably the most interesting board in Masterton. Our job is of course made easier by first class management team led by Bernard Teahan. Their advice and guidance has been second to none. Thanks also to my Trustees for their goodwill and support. It has been my pleasure to serve with you all.

Brian Bourke

President, Masterton Licensing Trust

CHAIRMAN'S ANNUAL REPORT

In the year ended 31st March 2012, the Trustees of this Charitable Trust met nine times during the year to consider 347 applications for funds. Of those, 214 were successful applicants and between them we distributed $1,880,855. Those numbers, both for applicants and distributions are very similar to the previous year.

We continue with a necessary budgeted process at each of our meetings, so we have a similar amount of funds available for distribution each time. This ensures that applications received at any stage throughout the year are not disadvantaged by less funds being available at any given time. While this helps the process to a degree, it does not alleviate the fact that invariably the Trustees must consider applications at each meeting seeking funding support in excess of $500,000 in total when there may only be approximately $100,000 available.

The applications always come from a broad cross section of our community through a variety of clubs and organisations. The Trustees find all the applications of much interest and as much as it would be great in a perfect world to support all the causes, the reality is that this is not possible. The Trustees must study each application with the aim of deciding which ones will make the most difference in our community. From there it is a process of cutting our cloth to fit so to speak. Not only does this mean the applications must be studied fully, but the Trustees must, and indeed the people of our community expect us to, have a thorough knowledge of the area and the goings on.

No one person can be expected to have all that knowledge, but collectively when the Trustees sit around the table there is a wealth of knowledge and care for this community. This ensures a lot of information is brought to each consideration meeting and ensures lively and full discussions around each application. It also requires the Trustees to put any personal preferences aside and take the widest possible view of community good. It also means from time to time a Trustee may have a conflict of interest. These are always declared and that Trustee takes no part in the decision made in that instance. There is always tremendous respect for the opinions around the table and as such positive decisions are always arrived at.

We continue to fund a number of events or organisations on a recurring basis. Events such as Golden Shears, Wings over Wairarapa and organisations like Destination Wairarapa do a tremendous amount to keep our community to the forefront of this region. There are also many smaller grants that are made annually to enable very good things to continue to happen within our community as well. However, we are also aware if you only do the same each year, then nothing will necessarily change. From that point of view, the Trustees must be open to new ideas and innovation and be prepared to make the best decisions at the time and not based on that's what they have done for the last number of years.

All the funds are granted without prejudice, there is no reward for us other than the feedback we get from recipients that we have helped them to achieve their various goals, whether that is for a small community group or a magnificent community event. However, we also know our funding support is only part of the equation. In many cases there are a huge number of people working tirelessly and often on a voluntary basis to achieve so much. If our funding helps along the way, then it is a good investment.

On behalf of the Trustees I extend a big thank you to our Community Support Manager, Craig Thomson for his wisdom and guidance throughout the year.

I also extend a warm thank you to my fellow Trustees. Our meetings are always a positive and vibrant affair. We are a good team and as such getting together is always something to look forward to.

Craig Cooper

Chairman

INCOME STATEMENT

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Revenue	5	51,901,760	52,983,417	69,000	81,500
Less cost of sales		25,725,419	26,950,696	-	-
Gross profit		26,176,341	26,032,721	69,000	81,500
Operating expenses	7	21,895,483	22,382,900	67,620	79,298
Results from operating actvities		4,280,858	3,649,821	1,380	2,202
Finance income		46,446	33,982	1,399	1,591
Finance costs		1,438,395	2,060,278	-	-
Net finance costs		1,391,949	2,026,296	(1,399)	(1,591)
Net operating profit / (loss)		2,888,909	1,623,525	2,779	3,793
Non operating items	6	(293,653)	(4,219,515)	-	-
Net profit / (loss) before charitable donations		2,595,256	(2,595,990)	2,779	3,793
Charitable donations		(2,721,930)	(2,760,524)	-	-
Tax expense	25	317	-	317	-
Net profit / (loss) for year		(126,991)	(5,356,514)	2,462	3,793
Attributable to:					
Masterton Licensing Tust		(121,128)	(5,111,080)	2,462	3,793
Minority interest		(5,863)	(245,434)		
		(126,991)	(5,356,514)	2,462	3,793

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net Profit / (loss)		(126,991)	(5,356,514)	2,462	3,793
Other comprehensive income					
Building impairment charged to equity		(128,724)	-	-	-
Land and building revaluation	18		(710,635)	-	-
Total other comprehensive income		(128,724)	(710,635)	-	-
Total comprehensive income for the period		(255,715)	(6,067,149)	2,462	3,793
Attributable to:					
Masterton Licensing Trust		(243,958)	(5,789,180)	2,462	3,793
Minority interest		(11,757)	(277,969)	-	-
		(255,715)	(6,067,149)	2,462	3,793

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Equity at the start of the year	18	39,833,001	45,900,150	8,021,755	8,017,962
Total comprehensive income / (expense)		(255,715)	(6,067,149)	2,462	3,793
Attributable to:					
Masterton Licensing Trust		(243,958)	(5,789,180)	2,462	3,793
Minority interest		(11,757)	(277,969)	-	-
		(255,715)	(6,067,149)	2,462	3,793
Equity at the end of the year		39,577,286	39,833,001	8,024,217	8,021,755

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

		Group	Group	Parent	Parent
		2012	2011	2012	2011
Current assets	*Note*	$	$	$	$
Cash and cash equivalents	*8*	1,065,990	1,095,069	30,606	2,234
Trade and other receivables	*9*	689,234	741,298	-	-
Prepayments		349,957	353,602	-	-
Inventories	*10*	2,771,786	2,729,893	-	-
Investment properties available for sale	*12*	229,000	375,000	-	-
Property, plant and equipment held for sale	*13*	2,059,309	-	-	-
Total current assets		**7,165,276**	**5,294,862**	**30,606**	**2,234**
Non-current assets					
Investments	*11*	338,207	425,662	8,000,000	8,030,000
Investment properties	*12*	35,421,000	35,625,000	-	-
Property, plant and equipment	*13*	23,246,422	25,592,170	-	-
Intangible assets	*14*	1,119,645	1,318,195	-	-
Total non-current assets		**60,125,274**	62,961,027	8,000,000	8,030,000
Total assets		**67,290,550**	**68,255,889**	**8,030,606**	**8,032,234**
Current liabilities					
Trade and other payables	*15*	3,400,660	3,563,785	6,072	10,479
Income tax payable	*25*	317	-	317	-
Employee entitlements	*16*	1,094,621	978,661	-	-
Borrowings	*17*	852,396	1,119,978	-	-
Property reinstatement provision		-	33,184	-	-
Charitable donations allocated		417,276	827,240	-	-
Total current liabilities		**5,765,270**	**6,522,848**	**6,389**	**10,479**
Non-current liabilities					
Employee entitlements	*16*	105,296	93,107	-	-
Borrowings	*17*	21,662,000	21,662,000	-	-
Property reinstatement provision		180,698	144,933	-	-
Total non-current liabilities		21,947,994	21,900,040	-	-
Equity					
Retained earnings	*18*	36,431,292	36,552,420	8,024,217	8,021,755
Minority interest	*18*	1,806,868	1,818,625	-	-
Asset revaluation reserve	*18*	1,339,126	1,461,956	-	-
Total equity		**39,577,286**	**39,833,001**	**8,024,217**	**8,021,755**
Total liabilities and equity		**67,290,550**	**68,255,889**	**8,030,606**	**8,032,234**

Signed on Behalf of the Masterton Licensing Trust

B J Bourke, Chairman

B J Teahan, Chief Executive

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

CASH FLOW

For the Year ended 31 March 2012

		Group	Group	Parent	Parent
	Note	2012 $	2011 $	2012 $	2011 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		51,751,895	52,947,307	69,000	81,500
Interest received		46,446	33,982	1,399	1,591
		51,798,341	52,981,289	70,399	83,091
Cash was applied to:					
Payments to suppliers and employees		45,672,082	46,563,959	72,027	82,269
Charitable donations		3,131,894	2,534,145	-	-
Interest paid		1,442,526	2,093,820	-	-
		50,246,502	51,191,924	72,027	82,269
Net cash flows from operating activities	*22*	**1,551,839**	**1,789,365**	**(1,628)**	**822**
Cash flows from investing activities					
Cash was provided from:					
Sale of plant, property and equipment		3,500	46,578	-	-
Sale of intangibles		4,250	44,064	-	-
Sale of investment property		756,001	170,445	-	-
		763,751	261,087	-	-
Cash was applied to:					
Purchase of plant, property and equipment		1,612,121	2,686,378	-	-
Purchase of intangible assets		12,993	144,171	-	-
Upgrading of investment property		451,973	430,793	-	-
Acquisition of business		-	555,534	-	-
		2,077,087	3,816,876	-	-
Net cash flows from investing activities		**(1,313,336)**	**(3,555,789)**	**-**	**-**
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		-	16,800,000	-	-
Repayment of loan by borrower		-	-	30,000	-
		-	16,800,000	30,000	-
Cash was applied to:					
Repayment of borrowings		-	15,069,421	-	-
		-	15,069,421	-	-
Net cash flows from financing activities		**-**	**1,730,579**	**30,000**	**-**
Net (decrease) / increase in cash held		238,503	(35,845)	28,372	822
Opening cash balance		200,091	235,936	2,234	1,412
Closing cash balance		438,594	200,091	30,606	2,234
This balance is made up as follows:					
Cash and cash equivalents		438,594	200,091	30,606	2,234
		438,594	200,091	30,606	2,234

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Sale of Liquor Act 1989. The consolidated financial statements of Masterton Licensing Trust as at and for the year ended 31 March 2012 comprise of Masterton Licensing Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (95.4% owned), Trust House Charitable Trust (a controlled entity) which ceased trading on 30 March 2012 and the Trust House Foundation (a controlled entity).

The Masterton Licensing Trust is a licensing trust established in accordance with the Sale of Liquor Act 1989 and through its subsidiary Trust House Limited is primarily involved in the hospitality industry running a number of bars, restaurants, bottle stores, two hotels and three general community stores and a large rental housing portfolio.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Trustees on 27 June 2012.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement Base

The financial statements have been prepared on the historical cost basis except for the following:

- investment property is measured at fair value
- land and buildings are measured at fair value

The methods used to measure fair values are discussed further in Note 4

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3 — lease classification
- Note 12 — valuation of investment property
- Note 13 — property, plant and equipment

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

The consolidated financial statements of Masterton Licensing Trust as at and for the year ended 31 March 2012 comprise of Masterton Licensing Trust, Masterton Licensing (Charitable) Trust, Trust House Limited (95.4% owned) , Trust House Charitable Trust (a controlled entity) and the Trust House Foundation (a controlled entity).

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group financial statements consolidate the financial statement of subsidiaries, using the purchase method.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, liabilities assumed or incurred at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The excess of cost of acquisition over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a duration of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments and measured at amortised cost.

Trade and other payables

Trade and other payables are stated at amortised cost.

Property, plant and equipment

Recognition and measurement

Land and buildings are revalued every three years to their fair value as determined by an independent registered valuer by reference to their highest and best use. Additions between revaluations are recorded at cost.

The results of land and buildings are credited or debited to an asset revaluation reserve for that individual asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Income Statement.

Plant and equipment, motor vehicles and gaming machines are initially recorded at cost, and depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is calculated on a diminishing value basis on all fixed assets except gaming machines which are calculated on a straight line basis (other than freehold land and items under construction, which are not depreciated), at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The depreciation rates for property, plant and equipment are as follows:

Buildings – structure	3% - 33.3%
Buildings – services and fit out	6.5%
Furniture, equipment and plant	6.67% - 25%
Motor vehicles	20%
Gaming machines and counters	25% - 100%

When the components of an item of property, plant and equipment have different useful lives or provide benefits to the entity in different patterns, thus requiring different depreciation rates and methods, the cost of the item is allocated to its component and each component is accounted for separately.

Intangible Assets

Intangible assets comprise of software acquired by the Group and goodwill on acquired businesses. Intangible assets acquired by the Group which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Software is amortised at a rate of 15-25% per year on a straight line basis.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Groups' share of the identifiable assets, liabilities and contingent liabilities of the acquired business at the acquisition date.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Property

Investment property is stated at valuation, as determined every year by Mr Jerome McKeefry (BBS (VPM), Dip BS (Fin), MPINZ) of Telfer Young (Wellington) Limited, registered valuers. The basis for valuation is fair value. The effective date of the valuation was 31 March 2012. Any increase or decrease in valuation is recognised in the Income Statement. Investment property is not depreciated.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

(i) Impairment of receivables

All individual receivables which are considered to be significant are evaluated on a case by case basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term.

Inventories

Inventories are valued at the lower of cost, on a weighted average basis, and net realisable value.

Employee Entitlements

Provision is made in respect of the Group's liability for annual leave, long service leave, and retirement gratuities.

Annual leave and other entitlements that are expected to be settled within 12 months of reporting date are measured at nominal values on an actual entitlement basis at a current rate of pay.

Entitlements that are payable beyond 12 months, such as long service leave and retirement gratuities, have been calculated on an actuarial basis on the present value of the expected future entitlements.

A provision for sick leave is recognised where employees have over the past two years taken more sick leave than their yearly allowance and still have accrued sick leave entitlements at year end. The provision is calculated as the number of excess sick leave days over the employees entitlement expected to be taken in the next 12 months times the employees' daily rate.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

(1) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(2) Services

The Group acts as a management company for a number of entities. Revenue for management fees is recognised in accordance with the fees agreed in those contracts.

(3) Rental income

Rental income from investment property is recognised in the Income Statement as it becomes due, adjusted by a provision for doubtful debts.

(4) Gaming Machine income

Revenue from gaming operations is measured at the fair value of the consideration received or receivable. Revenue is recognised when recovery of the consideration is probable.

Investments

Investments in Foodstuffs deferred rebates are initially recognised at fair value by present valuing the future cash flows to be received under the rebate. They are subsequently measured at amortised cost.

Investment in Foodstuffs shares and rebates are accounted for at cost as the fair value of the rebates and shares cannot be reliably measured.

Borrowings

Long term debt is recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Interest on qualifying assets is capitalised to the asset.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax

The Masterton Licensing Trust is subject to income tax. Trust House Limited and Masterton Licensing (Charitable) Trust are exempt from income tax as they are registered charities. Trust House Charitable Trust and Trust House Foundation are exempt from income tax as Class IV gaming operators.

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have become enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the entity expects to recover or settle the carrying amount of is assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the Statement of Financial Performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Donations

Charitable Donations are recognised when approval is given.

Changes in Accounting Policy

There have been no changes to accounting policies from prior years. All accounting policies have been consistently applied

4. DETERMINATION OF FAIR VALUES

A number of the Groups accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property plant and equipment

The fair value of property plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(b) Investment property

An external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued, values the Group's investment property portfolio every 12 months. The valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

5. REVENUE

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Sales	46,812,199	48,450,524	-	-
Services	200,953	105,036	-	-
Rentals	4,640,927	4,382,473	-	-
Gain on sale of investment properties	247,681	45,384	-	-
Other	-	-	69,000	81,500
Total revenues	51,901,760	52,983,417	69,000	81,500

6. NON OPERATING ITEMS

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Change in fair value of investment property	12	(293,653)	(805,732)	-	-
Revaluation of land and buildings	13	-	(3,413,782)	-	-
		(293,653)	(4,219,514)	-	-

7. OPERATING EXPENSES

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Administration and financial		1,398,124	1,453,147	27,094	41,359
Advertising and promotion		1,077,166	1,210,780	-	-
Auditor fees					
- Annual audit		95,168	96,777	5,208	8,050
Bad debts written off		14,815	24,922	-	-
Movement in provision for doubtful debts		37,827	(18,502)	-	-
Depreciation	13	1,655,173	1,988,390	-	-
Amortisation	14	202,723	209,200	-	-
Impairment of goodwill	14	-	120,000	-	-
Impairment of property, plant and equipment	13	162,326	638,094	-	-
Gaming machine duty and licences		1,825,036	1,847,876	-	-
Property expenses		4,643,795	4,113,541	-	-
Rent and lease expenses	20	834,589	808,567	-	-
Employee costs		9,741,740	9,710,177	-	-
Trustee and Directors fees and expenses		207,001	179,931	35,318	29,889
		21,895,483	22,382,900	67,620	79,298

8. CASH AND CASH EQUIVALENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Bank balances	795,360	836,183	30,606	2,234
Cash floats	270,630	258,886	-	-
Cash and cash equivalents	1,065,990	1,095,069	30,606	2,234
Bank overdrafts used for cash management purposes	(627,396)	(894,978)	-	-
Cash and cash equivalents used in the Statement of Cash Flows	438,594	200,091	30,606	2,234

The carrying value of cash at bank, cash floats and bank overdrafts is equal to fair value.

9. TRADE AND OTHER RECEIVABLES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Trade receivables	670,678	672,541	-	-
Less provision for impairment	(88,939)	(51,112)	-	-
	581,739	621,429	-	-
Sundry receivables	107,494	1,191,869	-	-
	689,233	1,813,298	-	-

Ageing of Trade receivables

The status of consolidated trade receivables at the reporting date is as follows:

Group	Not past due	1-30 days	31-60 days	60 days+	Total
31 March 2012	427,332	116,868	14,306	112,173	670,679
31 March 2011	500,138	90,418	14,833	67,152	672,541

As at 31 March 2012 trade receivables of $88,939 (2011: $51,112) were past due and considered impaired and trade receivables of $154,408 (2011: $121,291) were past due but not considered impaired.

Movements in the provision for impairment of receivables are as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
As at 1 April	51,112	69,614	-	-
Additional provisions made during the year	53,038	6,113	-	-
Receivables written off during the year	(15,211)	(24,615)	-	-
Balance at the end of the year	88,939	51,112	-	-

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The individually impaired recievables relate mainly to customers which are in difficult economic circumstances.

10. INVENTORY

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Raw materials and consumables	61,890	65,058	-	-
Goods available for sale	2,709,896	2,664,835	-	-
	2,771,786	2,729,893	-	-

Inventory comprises goods available for sale and food ingredients.

No inventories are pledged as security for liabilities (2011 $nil). However, some inventories are subject to retention of title clauses.

11. INVESTMENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Non current investments (at amortised cost)				
Foodstuffs Ltd - deferred rebates	156,494	267,764	-	-
	156,494	267,764	-	-
Non current investments (at cost)				
Foodstuffs Ltd - shares and rebates	171,713	157,898	-	-
Loan to Tararua Foundation	10,000	-	-	-
Trust House Limited (shares)	-	-	8,000,000	8,000,000
Trust House Limited (advance)	-	-	-	30,000
	181,713	157,898	8,000,000	8,030,000
Total non current investments	338,207	425,662	8,000,000	8,030,000

12. INVESTMENT PROPERTY

Group	2012 $	2011 $
Balance at 1 April	36,000,000	36,500,000
Properties sold during the year	(508,320)	(125,061)
Improvements	451,973	430,793
Change in fair value	(293,653)	(805,732)
Balance at 31 March	35,650,000	36,000,000
Classified as:		
Current - available for sale at 31 March	229,000	375,000
Non Current	35,421,000	35,625,000
	35,650,000	36,000,000

Investment property comprises 517 (2011: 524) rental houses in the lower North Island. The Group's investment properties are valued annually at fair market value effective 31st March.

All investment properties were valued based on an investment approach basis. The valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer Young, Wellington. Telfer Young are an experienced valuer with extensive market knowledge in the types of investment properties owned by the Group.

Group	2012 $	2011 $
Rental income	4,620,240	4,373,732
Expenses from investment property generating income	1,834,027	1,657,158

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings $	Furniture and plant $	Motor vehicles $	Development in progress $	Under construction $	Total $
Cost or deemed cost						
Balance at 1 April 2010	27,744,310	8,636,697	236,455	-	373,426	36,990,888
Assets acquired through business combinations	-	3,610	-	-	-	3,610
Additions	1,803,590	997,397	19,156	-	(213,823)	2,606,320
Disposals	-	(715,442)	(9,777)	-	-	(725,219)
Reclassification	(1,392,549)	-	-	1,547,715	(155,166)	-
Revaluation of land and buildings*	(7,029,677)	-	-	-	-	(7,029,677)
Balance at 31 March 2011	21,125,674	8,922,262	245,834	1,547,715	4,437	31,845,922
Balance at 1 April 2011	21,125,674	8,922,262	245,834	1,547,715	4,437	31,845,922
Additions	1,146,914	362,823	40,744	18,642	96,364	1,665,487
Disposals	-	(55,275)	(6,698)	-	-	(61,973)
Reclassified as available for sale**	(2,031,511)	(137,010)	-	-	-	(2,168,521)
Balance at 31 March 2012	20,241,077	9,092,800	279,880	1,566,357	100,801	31,280,915
Depreciation and impairment losses						
Balance at 1 April 2010	2,003,332	5,125,168	112,290	-	-	7,240,790
Depreciation for the year	1,252,057	708,828	27,505	-	-	1,988,390
Impairment loss	326,319	311,775		-	-	638,094
Disposals	-	(702,844)	(5,420)	-	-	(708,264)
Reclassification	(34,931)	-	-	34931	-	-
Revaluation of land and buildings*	(2,905,258)	-	-	-	-	(2,905,258)
Balance at 31 March 2011	641,519	5,442,927	134,375	34,931	-	6,253,752
Balance at 1 April 2011	641,519	5,442,927	134,375	34,931	-	6,253,752
Depreciation for the year	908,835	710,509	24,877	10,952	-	1,655,173
Impairment loss	291,050	-	-	-	-	291,050
Disposals	-	(51,036)	(5,234)	-	-	(56,270)
Reclassified as available for sale**	(42,852)	(66,360)	-	-	-	(109,212)
Balance at 31 March 2012	1,798,552	6,036,040	154,018	45,883	-	8,034,493
Carrying amounts						
At 1 April 2010	25,740,978	3,511,529	124,165	-	373,426	29,750,098
At 31 March 2011	20,484,155	3,479,335	111,459	1,512,784	4,437	25,592,170
At 1 April 2011	20,484,155	3,479,335	111,459	1,512,784	4,437	25,592,170
At 31 March 2012	18,442,525	3,056,760	125,862	1,520,474	100,801	23,246,422

* Freehold land and buildings were revalued at 31 March 2011, the revaluation resulted in a loss of $4,124,419

** After a strategic review a small number of Group properties have been put up for sale.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation - Land and Buildings

At fair value as determined from market based evidence by an independent valuer. The most recent valuation was performed by J McKeefry BBS (VPM), Dip BS (Fin), MPINZ; Registered Valuer of Telfer-Young Wellington and the valuation is effective as at 31 March 2011.

The valuations were primarily based on the rental capitalisation methodology, depreciated replacement cost is used as a support method.

Total fair value of land and buildings valued by J McKeefry Group and Parent as at 31 March 2011 was $19,424,000.

Featherston Development

Development in progress includes assets purchased and other costs incurred as part of a proposed development in Featherston. Masterton Licensing Trust considers these assets are not impaired at 31 March 2012.

Impairment

Impairment losses of $291,050 were recognised in 2011/12 in relation to the building at 9 Russell Street, Masterton. The impairment arose as the ground rent for the site rose significantly during the year, reducing the net rental potential of the building. Of the $291,050 impairment $128,724 has been charged to the asset revaluation reserve and $163,326 charged through profit and loss. The impairment was determined by fair value of the property. Prior year impairments totalled $638,094.

14. INTANGIBLE ASSETS

Group	Goodwill $	Software $	Total $
Cost			
Balance at 1 April 2010	674,000	1,802,473	2,476,473
Acquisition through business combinations	436,390		436,390
Additions		22,565	22,565
Disposals		(806,805)	(806,805)
Balance at 31 March 2011	1,110,390	1,018,233	2,128,623
Balance at 1 April 2011	1,110,390	1,018,233	2,128,623
Additions		12,993	12,993
Disposals		(24,610)	(24,610)
Balance at 31 March 2012	1,110,390	1,006,616	2,117,006
Amortisation and impairment losses			
Balance at 1 April 2010	319,000	901,263	1,220,263
Amortisation for the year		209,202	209,202
Impairment loss	120,000		120,000
Disposals		(739,037)	(739,037)
Balance at 31 March 2011	439,000	371,428	810,428
Balance at 1 April 2011	439,000	371,428	810,428
Amortisation for the year	-	202,723	202,723
Disposals	-	(15,790)	(15,790)
Balance at 31 March 2012	439,000	558,361	997,361
Carrying amounts			
At 1 April 2010	355,000	901,210	1,256,210
At 31 March 2011	671,390	646,805	1,318,195
At 1 April 2011	671,390	646,805	1,318,195
At 31 March 2012	671,390	448,255	1,119,645

INTANGIBLES (CONTINUED)

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to three cash generating units (CGU's) for impairment testing as follows:

Featherston Post and Lotto Shop

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management. The forecast covers a five year period for a portion of the business which would be retained within the Group and moved to another trading unit, regardless of the trading performance of this individual business. The discount rate applied to cash flow projections is 9.0% (2011 9.0%)

Chungs Supermarket

Goodwill of $436,390 was recognised on the 2010 acquisition and has been apportioned to the Featherston Community Store ($291,000) and Liquor Plus Featherston ($145,390) businesses as these were expected to benefit when the Chungs business ceased trading shortly after being acquired.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management which covers a five year period. The discount rate applied to cash flow projections is 9.0% (2011: 9.0%)

(ii) Carrying amount of goodwill allocated to each group of cash generating units

	Group and Parent 2012 $	Group and Parent 2011 $
Featherston Post and Lotto Shop	235,000	235,000
Featherston Community Store	291,000	291,000
Featherston Liquor Plus	145,390	145,390
Total goodwill	671,390	671,390

(iii) Key assumptions used in value in use calculations for cash generating units

The calculation of value in use for all CGU's is most sensitive to the following assumptions; gross margins, discount rates and growth rates used. Gross margins are based on the average achieved in the last 12 months. Discount rates reflect the Groups' incremental cost of borrowings. For the purposes of impairment testing a terminal growth rate has been used for all segments based on long-term industry averages.

(iv) Sensitivity to changes in assumptions

With regard to the assessment of the value in use for all CGU's, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed its recoverable amount.

15. TRADE AND OTHER PAYABLES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Trade creditors	1,871,201	2,250,095	-	-
Interest payable	44,603	48,735	-	-
Capital payables	100,746	41,354	-	-
Intangible payables	-	6,026	-	-
Accrued expenses	1,281,537	1,073,299	6,072	10,479
Revenue in advance	102,573	144,276	-	-
	3,400,660	3,563,785	6,072	10,479

16. EMPLOYEE ENTITLEMENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Current portion				
Accrued pay	232,086	142,390	-	-
Annual leave	844,987	816,006	-	-
Provision for staff long service / retirement benefits	12,808	12,808	-	-
Sick pay	4,740	7,457	-	-
	1,094,621	978,661	-	-
Non-Current portion				
Provision for staff long service / retirement benefits	105,296	93,107	-	-
	1,199,917	1,071,768	-	-

17. BORROWINGS

This Note provides information about the contractual terms of the Group's interest bearing borrowings. For more information about the Company's exposure to interest rate risk see Note 19.

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Non-current liabilities				
Secured bank loans	21,662,000	21,662,000	-	-
	21,662,000	21,662,000	-	-
Current liabilities				
Bank overdrafts	627,396	894,978	-	-
Other loans	225,000	225,000	-	-
	852,396	1,119,978	-	-

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Group	Nominal interest rate	Year of maturity	Face value 2012	Carrying amount 2012	Face value 2011	Carrying amount 2011
Secured BNZ Bank loan	5.75%-6.70%	2017	15,000,000	15,000,000	15,000,000	15,000,000
Secured ANZ National Bank loan	6.70%-7.64%	2014	6,662,000	6,662,000	6,662,000	6,662,000
Other loans	3.25%	2016	225,000	225,000	225,000	225,000
Bank overdrafts	8.75%	On demand	627,396	627,396	894,678	894,678
Total interest-bearing liabilities			22,514,396	22,514,396	22,781,678	22,781,678

The ANZ National Bank loans are secured with registered first mortgages over land and buildings with a carrying amount of $16,488,419 (2011: $16,690,000). The ANZ National Bank also has a general charge over Trust House Limited's assets. The BNZ loans are secured by first charge mortgages over the residential housing portfolio. A secondary security is also held over the rental income stream from the housing portfolio.

18. CAPITAL AND RESERVES

(a) Group

	Revaluation reserve $	Retained earnings $	Total equity $
Group			
Balance at 1 April 2010	2,140,056	41,663,500	43,803,556
Total comprehensive income	(678,100)	(5,111,080)	(5,789,180)
Balance at 31 March 2011	1,461,956	36,552,420	38,014,376
Balance at 1 April 2011	1,461,956	36,552,420	38,014,376
Total comprehensive income	(122,830)	(121,128)	(243,958)
Balance at 31 March 2012	1,339,126	36,431,292	37,770,418
Parent			
Balance at 1 April 2010	-	8,017,962	8,017,962
Total comprehensive income	-	3,793	3,793
Balance at 31 March 2011	-	8,021,755	8,021,755
Balance at 1 April 2011	-	8,021,755	8,021,755
Total comprehensive income	-	2,462	2,462
Balance at 31 March 2012	-	8,024,217	8,024,217

(b) Minority interest

	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 April 2010	102,681	1,993,913	2,096,594
Total comprehensive income	(32,535)	(245,434)	(277,969)
Balance at 31 March 2011	70,146	1,748,479	1,818,625
Balance at 1 April 2011	70,146	1,748,479	1,818,625
Total comprehensive income	(5,894)	(5,863)	(11,757)
Balance at 31 March 2012	64,252	1,742,616	1,806,868

The revaluation reserve relates to the revaluation of Land and buildings at 31 March 2011.

The prior year results have been restated for both Parent and Group to increase expenses and trade and other payables by $1,520 for an invoice, which had not been accrued, that related to last year.

19. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Group's business.

Credit Risk

Management has a process in place under which each new customer seeking credit with the Group is individually analysed for credit worthiness and assigned a purchase limit before credit is offered.

The Group does not require collateral in respect of trade and other receivables, except in relation to rental properties where bonds are required and lodged with the Tenancy Tribunal.

The Group's exposure to credit risk is mainly influenced by its customer base, as such it is concentrated to the default risk of its industry. No single customer balance would be considered material.

Investments are allowed only in call or short term deposits with specified counterparties.

Credit quality of financial assets

Cash and cash equivalents are held with the ANZ National Bank which currently has a Standard and Poor's credit rating of AA. Trade and other receivables are all with counterparties without credit ratings with no history of default with the Group in the past.

FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Overdrafts and credit lines in place	1,500,000	2,000,000	-	-

Interest rate risk

The Group regularly reviews the balance between its fixed rate and floating rate borrowings. The Group has flexibility within its borrowing facilities to move between fixed and floating rates as required

Other market price risk

The Group is not exposed any other substantial market price risk arising from financial instruments.

Quantitative disclosures

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

a) Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities

Group 2012	Carrying Amount $	Contractual cash flows $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Secured bank loans	21,662,000	27,781,685	1,415,874	1,415,874	9,762,237	15,187,700
Other loans	225,000	252,468	7,313	7,313	237,842	-
Trade and other payables	3,400,660	3,400,660	3,400,660	-	-	-
Bank overdraft	627,396	627,396	627,396	-	-	-
Total non-derivative liabilities	25,915,056	32,062,209	5,451,243	1,423,187	10,000,079	15,187,700
Group 2011						
Secured bank loans	21,662,000	30,009,548	1,432,529	1,432,529	10,267,490	16,877,000
Other loans	225,000	262,476	7,875	7,875	246,726	-
Trade and other payables	3,563,785	3,563,785	3,563,785	-	-	-
Bank overdraft	894,978	894,978	894,978	-	-	-
Total non-derivative liabilities	26,345,763	34,730,787	5,899,167	1,440,404	10,514,216	16,877,000
Parent 2012						
Trade and other payables	6,072	6,072	6,072	-	-	-
Total non-derivative liabilities	6,072	6,072	6,072	-	-	-
Parent 2011						
Trade and other payables	10,479	10,479	10,479	-	-	-
Total non-derivative liabilities	10,479	10,479	10,479	-	-	-

(b) Sensitivity analysis

Interest Rate Risk

The effect of a +100bps change in interest rates applicable to the floating rate financial instruments held by the Group is a reduction in profit of $68,879 (2011:$70,906).

FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification and fair values

Group 2012	Loans and receivables $	At amortised cost $	Total carrying amount $	Fair value $
Assets				
Investments	338,207		338,207	338,207
Trade and other receivables	689,234		689,234	689,234
Prepayments	349,957		349,957	349,957
Cash and cash equivalents	1,065,990		1,065,990	1,065,990
Total assets	2,443,388		2,443,388	2,443,388
Liabilities				
Trade and other payables		3,400,660	3,400,660	3,400,660
Borrowings		22,514,396	22,514,396	22,514,396
Total liabilities		25,915,056	25,915,056	25,915,056
Group 2011				
Assets				
Investments	425,662		425,662	425,662
Trade and other receivables	741,298		741,298	741,298
Prepayments	353,602		353,602	353,602
Cash and cash equivalents	1,095,069		1,095,069	**1,095,069**
Total assets	2,615,631		2,615,631	2,615,631
Liabilities				
Trade and other payables		3,562,265	3,562,265	3,562,265
Borrowings		22,781,978	22,781,978	22,781,978
Total liabilities		26,344,243	26,344,243	26,344,243
Parent 2012				
Liabilities				
Trade and other payables		6,072	6,072	6,072
Total liabilities		6,072	6,072	6,072
Parent 2011				
Liabilities				
Trade and other payables		10,479	10,479	10,479
Total liabilities		10,479	10,479	10,479

20. OPERATING LEASES

Non cancellable operating leases are payable as follows:

	Group 2012 $	Group 2011 $
Less than one year	758,040	720,379
Between 1 and 2 years	716,477	648,653
Between 2 and 5 years	1,143,292	1,677,863
Over 5 years	1,391,492	3,737,080
	4,009,301	6,783,975

The Group leases a number of hospitality premises, vehicles and equipment under operating leases.

During the year ended 31 March 2012 $834,589 was recognised as an expense in the Income Statement in respect of operating leases (2011: $808,567).

21. COMMITMENTS AND CONTINGENCIES

The Group and Parent had no capital commitments at 31 March 2012 (2010; $Nil).

The Group had contingent liabilities of $55,000 as at 31 March 2012 (2011: $55,000). In relation to guarantees provided by ANZ National Bank on behalf of Trust House Limited. The Group has a contingent liability in relation to a dispute with C and C Franchising relating to termination of the Cobb and Co Franchise in Masterton due to the franchisors' poor performance. C and C Franchising is claiming $200,000 and Trust House Limited is counter claiming for $200,000.

22. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net surplus/(deficit) for year	(126,991)	(5,356,514)	2,462	3,793
Add (less) non-cash items:				
Depreciation	1,655,173	1,988,390	-	-
Amortisation	202,723	209,202	-	-
Revaluation of investment properties	293,653	805,732	-	-
Revaluation of land and buildings	-	3,413,784	-	-
Property reinstatement provision	2,581	(96,608)	-	-
Fixed asset impairment	162,326	638,094	-	-
Goodwill impairment	-	120,000	-	-
Loss on sale of intangible assets	4,570	23,704	-	-
Gain on sale of property, plant and equipment	2,203	(29,623)	-	-
Gain on sale of investment property	(247,681)	(45,384)	-	-
Investments issued in lieu of rebates	87,455	58,255	-	-
	2,163,003	7,085,546	-	-
Add (less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	55,709	(139,091)	-	-
(Increase)/decrease in inventories	(41,893)	498,518	-	-
Increase/(decrease) in charitable distributions payable	(409,964)	226,379	-	-
Increase/(decrease) in employee entitlements	128,149	14,260	-	-
Increase/(decrease) in income tax payable	317		317	-
Increase/(decrease) in trade and other payables	(216,491)	(539,733)	(4,407)	(2,971)
	(484,173)	60,333	(4,090)	(2,971)
Net cash flow from operating activites	1,551,839	1,789,365	(1,628)	822

23. RELATED PARTY TRANSACTIONS

(i) Parent and ultimate controlling party

The ultimate controlling party of the group is the Masterton Licensing Trust

(ii) Transactions with key management personnel

Several of the Directors of Trust House Limited own or run businesses in their own right. A number of these entities transacted with the Group in the period and are disclosed below. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

During the year the Company purchased accommodation from the Highwayman Motel a business in which B J Teahan, Chief Executive of Trust House, is a Director. During the year the Company purchased services valued at $150 (2011: $2,413). The balance outstanding at year end was $Nil (2011 $1,443). The Highwayman purchased goods from Trust House valued at $5,724 (2011: $8,836). The balance outstanding at year end was $655 (2011: $1,273).

During the year Directors and senior management, as part of a normal customer relationship, were involved in minor transactions with Trust House Limited (such as purchase of meals, liquor or groceries). Directors and senior management are entitled to a 10% discount on non-discounted goods. These buying privileges are available to all employees.

RELATED PARTY TRANSACTIONS (CONTINUED)

During the year the Company purchased promotional material from Mangan Graphics a business which is owned by Ray Southey a Trustee of Masterton Licensing Trust the parent of Trust House Limited. The company purchased goods valued at $17,281(2011: $10,587). The balance outstanding at year end was $939 (2011: $557).

Craig Cooper a Director of Trust House Limited is a board member of Pukaha Mt Bruce (resigned 31st January 2012), Wairarapa Community Counselling Centre and a committee member of the Golden Shears Society. During the year Pukaha Mt Bruce received a grant from Trust House Charitable Trust of $30,000 (2011: $80,000). During the year Wairarapa Community Counselling Centre received a grant from Trust House Charitable Trust of $Nil (2011: $5,000)During the year the Golden Shears Society received grants from Trust House Foundation of $65,000 (2011: from THCT $30,000).

When reviewing grant applications, Directors and Trustees will declare any interest in potential recipient organisations and recuse themselves from the discussion on the grant application.

The General Manager of Solway Park and one board member of Trust House Limited are on the Board of Destination Wairarapa - a regional tourism promotion body. During the year Trust House Foundation paid Destination Wairarapa grants totalling $249,923 (2011: from Trust House Charitable Trust $245,344). Destination Wairarapa purchased $Nil (2011: $956) of goods and services from Trust House Limited. The amount outstanding at year end was $Nil (2011: $48).

Trust House purchased advertising from and paid subscriptions to Destination Wairarapa. The value of the purchases was $2,233 (2011: $2,820) The amount outstanding at year end was $Nil (2011: $1,725). Trust House Limited provides accounting services to Destination Wairarapa. During the year Destination Wairarapa paid $23,750 (2011 $20,000) for these services.

(iii) Key management personnel compensation

	2012 $	2011 $
Salaries and other short term benefits	1,083,381	1,095,858
Post employment benefits	1,641	7,314
Other long term benefits	-	-
Termination benefits	-	-
	1,085,022	1,103,172

Key management personnel comprises the Directors, Chief Executive and other senior managers of Trust House Limited and the Trustees of the Masterton Licensing Trust.

The President of Masterton Licensing Trust was paid $15,000 (2011:$15,000) and the total paid to all Trustees, incuding the President, was $25,379 (2011:$24,360).

(iv) Other related party transactions

(a) Trust House Limited (THL)

	2012	2011
Shares in Trust House Ltd (number of shares)	8,000,000	8,000,000
	$	$
Management fees paid by MLT to Trust House Ltd	15,000	10,000
Royalty fees paid by Trust House Ltd to MLT	69,000	81,500
Loan from MLT to Trust House Ltd	-	30,000
Trust House Ltd provided goods and services to MLT on an arms length basis	942	1,076

(b) Masterton Licensing (Charitable) Trust (MLCT)

	2012	2011
Shares in Trust House Ltd (number of shares)	2,150,000	2,150,000
	$	$
Donations paid by Trust House Ltd to MLCT	36,000	22,000
Management fees paid by MLCT to Trust House Ltd	35,000	25,000
Trust House Ltd provided goods and services to MLCT on an arms length basis	20,779	22,965

RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Flaxmere Licensing (Charitable) Trust (FLCT)

	2012	2011
Shares in Trust House Ltd (number of shares)	150,000	150,000
	$	$
Term loan to Trust House Limited	225,000	225,000
- This loan is repayable upon demand and is unsecured		
Management fees paid by FLCT to Trust House Ltd	25,000	-

(d) Flaxmere Licensing Trust (FLT)

	2012	2011
Shares in Trust House ltd (number of shares)	337,000	337,000
	$	$
Management fees paid by FLT to Trust House Ltd	5,000	-

(e) Tararua Foundation Incorporated (TF)

	2012 $	2011 $
Donations paid by Trust House Ltd to TF	36,000	4,000
Management Fees paid by TF to Trust House Ltd	50,000	-
Loan advance to TF by Trust House Limited	10,000	-
Grant from Trust House Foundation to TF	500,000	-
Grant from Trust House Charitable Trust to TF	490,000	-

(f) Trust House Charitable Trust (THCT)

Trust House Charitable Trust is an independent Charitable Trust. Some of the Directors of Trust House Ltd are also Trustees of Trust House Charitable Trust.

Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and Trust House Ltd. By agreement the Trust House Charitable Trust allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Charitable Trust. Once they are approved by the charitable arms, payment is made by the Trust House Charitable Trust direct to the organisation receiving the grant.

Trust House Charitable Trust is in the process of being wound up. At 31 March 2012 it had no assets or liabilities.

The functions previously performed by the Trust House Charitable Trust are now carried out by the Trust House Foundation see (g) below.

Details of the funds available and grants approved are:

	2012 $	20 11 $
Funds available 1st April	511,636	320,861
Net surplus before charitable distributions	349,630	2,970,263
Grants unclaimed	24,287	107,058
Grants approved	(885,553)	(2,886,546)
Funds available 31st March	-	511,636

Trust House Ltd is responsible for administering Trust House Charitable Trust.

	2012 $	2011 $
Site Rentals paid by THCT to Trust House Ltd	134,116	966,538
Management Fees paid by THCT to Trust House Ltd	74,167	445,000

RELATED PARTY TRANSACTIONS (CONTINUED)

THCT has paid the following entities for services perform by the entities on behalf of THCT:

	2012 $	2011 $
Masterton Licensing (Charitable) Trust	7,667	34,125
Rimutaka Trust	5,750	34,125
Flaxmere Licensing (Charitable) Trust	5,750	-
	19,167	68,250

THCT has paid the following grants:

	2012 $	2011 $
Masterton Licensing (Charitable) Trust	-	25,671
Rimutaka Trust	-	12,000
Flaxmere Licensing (Charitable) Trust	10,000	9,580
	10,000	47,251

As at 31 March 2012, the Trust House Charitable Trust owed Trust House Limited $Nil (2011: $116,723)

(g) Trust House Foundation (THF)

Trust House Foundation is an independent Foundation. Some of the Directors of Trust House Ltd are also Trustees of Trust House Foundation.

Gaming Machine proceeds are generated in the premises of the Rimutaka Licensing Trust and the Trust House Ltd. By agreement the Trust House Foundation allows the charitable arms of these two organisations and the Flaxmere Licensing (Charitable) Trust to call for donations from the Trust House Charitable Trust. Once they are approved by the charitable arms, payment is made by the Trust House Foundation direct to the organisation receiving the grant.

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds available 1st April	-	-
Net surplus before charitable distributions	2,425,531	-
Grants unclaimed	22,871	-
Grants approved	(1,868,233)	-
Funds available 31st March	580,169	-

Trust House Ltd is responsible for administering Trust House Foundation.

	2012 $	2011 $
Site Rentals paid by THF to Trust House Ltd	809,059	-
Management Fees paid by THF to Trust House Ltd	370,833	-

THF has paid the following entities for services performed by the entities on behalf of THF:

	2012 $	2011 $
Masterton Licensing (Charitable) Trust	38,333	-
Rimutaka Trust	28,750	-
Flaxmere Licensing (Charitable) Trust	28,750	-
	67,083	-

RELATED PARTY TRANSACTIONS (CONTINUED)

THF has paid the following grants:

	2012 $	2011 $
Masterton Licensing (Charitable) Trust	26,674	-
Rimutaka Trust	10,828	-
Flaxmere Licensing (Charitable) Trust	7,149	-
	44,651	-

As at 31 March 2012, the Trust House Foundation owed Trust House Limited $115,724 (2011: $Nil).

(h) Rimutaka Licensing Trust

Trust House has an agreement to manage the operations of the Rimutaka Licensing Trust.

	2012 $	2011 $
Management Fees paid by RLT to Trust House Ltd	70,000	60,000
Site Rentals paid by Trust House Foundation to RLT	85,114	-
Site Rentals paid by Trust House Charitable Trust to RLT	14,095	110,932
Owed to Trust House Limited for payments made on behalf of RLT	9,084	17,841

(i) Rimutaka Trust

Trust House has an agreement to manage the operations of the Rimutaka Trust

	2012 $	2011 $
Management Fees paid by RT to Trust House Ltd	25,000	25,000
Owed to Trust House Limited for payments made on behalf of RLT	3,092	3,000

24. GROUP ENTITIES

Subsidiaries

	Ownership 2012	Interest (%) 2011
Trust House Limited	95.4	95.4
Trust House Charitable Trust	-	-
Trust House Foundation	-	-
Masterton Licensing (Charitable) Trust	-	-

Trust House Charitable Trust, Trust House Foundation and Masterton Licensing (Charitable) Trust are controlled entities.

Trust House Charitable Trust had ceased trading at balance date.

25. TAXATION

The Taxation Expense has been calculated as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Components of tax expense				
Current tax	317	-	317	-
Prior period adjustments	-	-	-	-
	317	-	317	-
Surplus before tax and donations	2,595,256	(2,595,990)	2,779	3,793
Charitable donations	(2,721,930)	(2,760,524)	-	-
Surplus before Tax	(126,674)	(5,356,514)	2,779	3,793
Taxation at 28% (2011: 30%)	(35,469)	(1,606,954)	778	1,138
Plus (less) tax effect of:				
Non taxable income	34,691	(1,608,092)	-	-
Tax loss utilised	461	1,138	461	1,138
Taxation expense	317	-	317	-

Tax losses of $Nil (2011: $125) are available to carry forward and offset against future taxable income.

26. SUBSEQUENT EVENTS

On the 15th June Trust House Limited entered into an unconditional contract to sell Liquorland Hutt City.

The sale is estimated to reduce profit by $17,000 per annum.

27. CAPITAL MANAGEMENT

The Group's capital includes reserves and retained earnings.

The Group's policy is to maintain a capital base so as to maintain creditor and community confidence and to sustain future development of the business.

The Group is not subject to any externally imposed capital requirements.

There have been no material changes in the Group's management of capital during the period.

INDEPENDENT AUDITOR'S REPORT

To the readers of Masterton Licensing Trust and Group's financial statements for the year ended 31 March 2012

The Auditor-General is the auditor of Masterton Licensing Trust (the Trust) and Group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and Group, on her behalf.

We have audited the financial statements of the Trust and group on pages 66 to 89, that comprise the Statement of Financial Position as at 31 March 2012, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion, the financial statements of the Trust and Group on pages 66 to 89:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
    - financial position as at 31 March 2012; and
    - financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and Group's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from the Sale of Liquor Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Sale of Liquor Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and the audit report on the Trust's subsidiary Trust House Foundation's forecast financial statements for the year ending 31 March 2013 in accordance with the requirements of the Department of Internal Affairs, we have no relationship with or interests in the Trust or its subsidiaries.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Masterton Licensing Trust and Group for the year ended 31 March 2012 included on the Masterton Licensing Trust website. The Trustees are responsible for the maintenance and integrity of the Masterton Licensing Trust website. We have not been engaged to report on the integrity of Masterton Licensing Trust website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2012 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

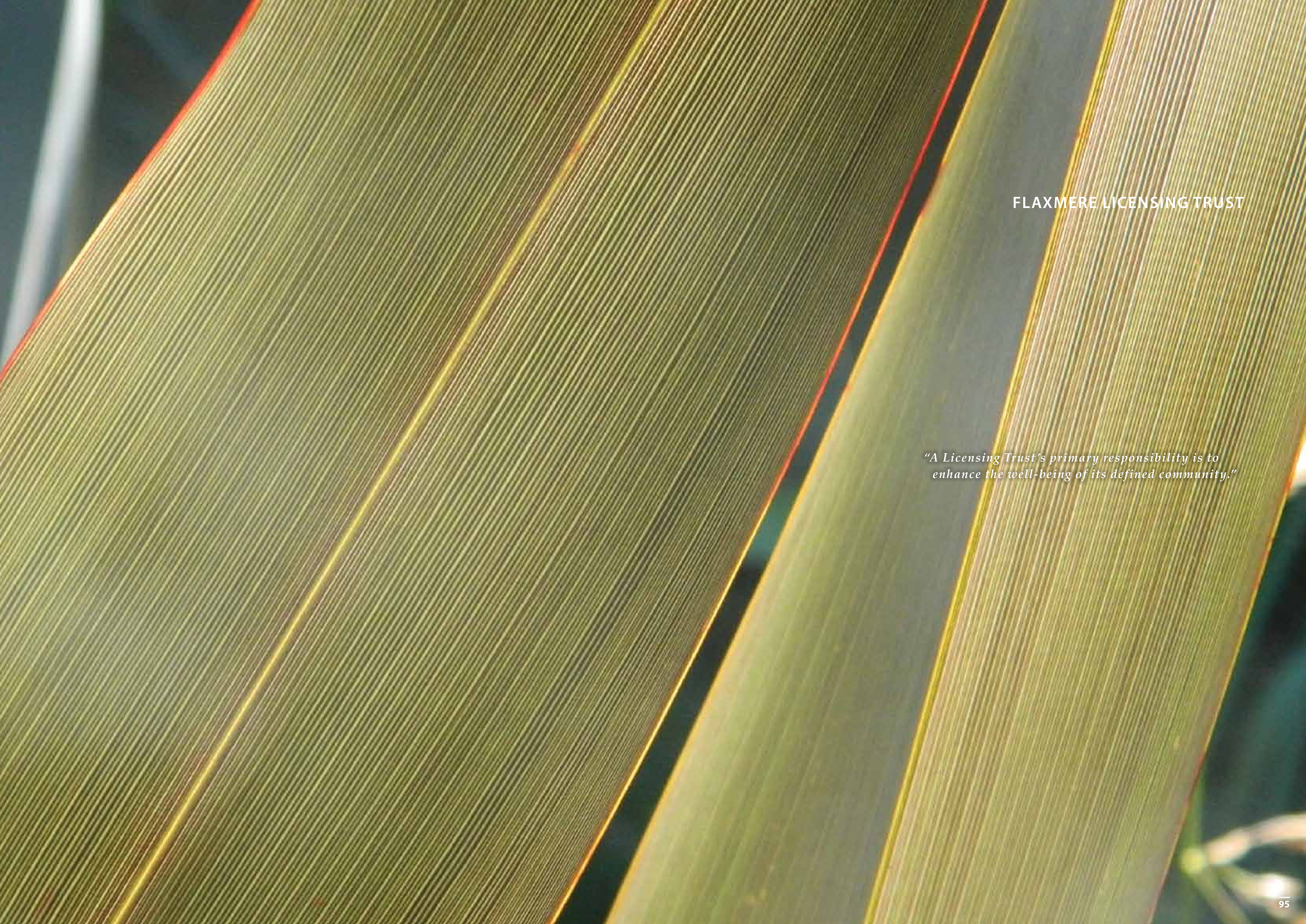
Organisation	Approved
Abbeyfield Masterton Inc	$3,000
Access Radio Wairarapa Charitable Trust	$1,000
Alzheimers Wairarapa Inc	$4,000
Angels Trust	$1,000
Apostolic Church Trust Board Masterton	$3,000
Athletics Masterton Inc	$5,000
Bowls Wairarapa Inc	$3,000
Brain Injury Association (Wgtn) Inc	$2,500
Brain Injury Association Central Districts Inc	$1,000
Bush Blue Light	$500
Cancer Society Wairarapa Dragon Boat Team Inc	$2,000
Carterton Amateur Athletics Club	$500
Carterton Junior Soccer Club	$500
Carterton Town and Country Development Group	$1,000
Castlepoint Church Trust	$750
Castlepoint Fishing Club Inc	$1,000
Central Search Dogs Inc	$1,100
Chanel College	$60,000
Child Cancer Foundation Inc	$2,000
Community Accounts Mentoring Service Trust	$500
Destination Wairarapa Inc	$249,923
Diabetes NZ Wellington Inc	$500
Douglas Villa Association Football Club Inc	$1,000
Eastern Suburbs Cricket Club	$1,000
Eden Kindergarten Trust Board	$750
Eketahuna Community Charitable Trust	$3,000
Epilepsy Assn of NZ Inc - Wellington Branch	$1,000
Featherston Amateur Wrestling Club Inc	$500
Featherston Golf Club (Inc)	$1,500
Featherston Muay Thai Club	$1000
Featherston Rugby Club	$2,000
Feilding Amateur Swimming Club	$1,000
Feilding Industrial, Agricultural and Pastoral Assn	$1,000
Feilding Rugby Football Club Inc	$5,500
Fernridge School Board of Trustees	$1,000
Friends of Queen Elizabeth Park Inc	$1,000
Gladstone Netball	$400
Gladstone Rugby Football Club Inc	$750
Golden Shears International Shearing Championships Society Inc	$65,000
Greytown Community Sport and Leisure Society Inc	$5,000
Greytown Football Club	$1,000
Greytown Junior Soccer Club	$1,000
Greytown Lawn Tennis Club	$750
Greytown Lioness Club Charitable Trust	$1,000
Greytown Rugby Football Club Inc	$2,000
Greytown Trails Trust	$10,000
Guides New Zealand - Masterton District	$1,000
Guides New Zealand Feilding District	$1,000
Guides New Zealand Island Bay District	$2,000
Guides New Zealand Tinakori District	$750
He Kahui Wairarapa Inc	$1,000

Organisation	Approved
Henley Trust 2003	$11,000
Holyoake Kindergarten	$800
Hospice Wairarapa Community Trust	$4,000
Island Bay Enhancement Trust	$3,000
Island Bay Playcentre	$500
Island Bay United AFC	$7,000
Kahutara Hall Society	$1,000
King Street Artworks Inc	$10,000
Kiwi Amateur Athletic Club Inc	$135
Kuranui College	$1,500
Lakeview School Board of Trustees	$6,500
Lansdowne Bowling Club Inc	$2,000
Learn and Live Camp Anderson	$15,000
Lifeline Wairarapa Inc	$2,500
Lions Club of Martinborough Charitable Trust	$1,500
Lyall Bay Surf Life Saving Club Inc	$1,000
Magnificat Community Charitable Trust	$1,000
Mahunga Golf Club Inc	$5,000
Makoura College Board of Trustees	$16,000
Mamaternity Charitable Trust	$750
Mangatainoka School Board of Trustees	$1,000
Marist Rugby and Sports Association (Mstn) Inc	$3,000
Martinborough Kindergarten	$1,000
Martinborough School	$1,000
Martinborough Youth Trust	$1,000
Masterton A and P Association	$3,000
Masterton and Districts Boxing Association Inc	$475
Masterton Art Club Inc	$2,000
Masterton Association Football Club Inc	$2,000
Masterton Blue Light Disco Inc	$3,500
Masterton Community Church	$1,000
Masterton Croquet Club	$1,000
Masterton District Council	$45,000
Masterton District Library	$2,750
Masterton Foodbank Inc	$5,000
Masterton Golf Club	$4,000
Masterton Harmony Ladies	$1,000
Masterton Licensing (Charitable) Trust	$35,000
Masterton Miniature Train Society	$5,000
Masterton Motorplex Inc	$120,000
Masterton Primary School Granny's Basket	$7,000
Masterton Racing Club	$3,000
Masterton Safe and Healthy Community Council	$10,900
Netball Wairarapa Inc	$15,000
New Zealand Federation of Young Farmers Club Inc	$20,000
New Zealand Hot Rodding Foundation Inc	$4,000
New Zealand Secondary Student's Choir Trust	$500
Newtown Community and Cultural 2009 Trust	$2,000
Ngati Kahungunu Iwi Inc	$1,500
NZ Choral Federation - Wellington Region Big Sing	$2,000
NZ Sport and Vintage Aviation Society	$20,000
Oasis Charitable Trust Wairarapa	$12,500

Masterton Licensing (Charitable) Trust – Grants Approved

Organisation	Approved
Pahiatua Community Services Trust	$1,500
Pahiatua School Board of Trustees	$1,000
Parent to Parent Wellington Region	$1,500
Parents Incorporated Attitude Division	$1,000
Pioneer Sports Club Inc	$2,000
Pre Shears Woolhanding Championships	$1,000
Prisoners Aid and Rehabilitation Society	$1,500
Pukaha Mount Bruce Board	$30,000
Rally Wairarapa Inc	$40,000
Rape Crisis Centre Wellington Inc	$3,000
Rathkeale College	$1,500
Red Star Cricket Club	$700
Rimutaka Kindergarten Assn Inc - Meta Riddiford	$1,000
Rimutaka Kindergarten Assn Inc Carterton	$600
Rimutaka Kindergarten Association Inc South End	$500
Riversdale Beach Golf Club	$4,000
Riversdale Beach Surf Lifesaving Club Inc	$7,500
RNZPS Rongotai Branch Inc Plunket Miramar	$500
Royal Scottish Country Dance Society NZ	$1,500
Saint Matthews Parish	$1,100
Samaritans of Wellington Inc	$980
Seatoun Football Club	$1,000
St Andrew's Union Parish	$2,000
St Brigids Parish Feilding	$700
St John Wairarapa District	$11,778
St Matthews Collegiate School	$500
St Patricks School PTA	$1,500
Stopping Violence Services Wairarapa	$8,000
Street Youth Ministries Trust Inc	$12,500
Stroke Foundation Central Region Inc	$2,000
Summer Shakespeare Production Account	$2,000
Tararua Foundation	$515,000
Te Kohanga Reo o Ngati Hamua	$1,500
Te Manawa Services	$2,000
Te Wharau Hall Society Inc	$2,000
Team Wairarapa Athletics Inc	$750
The Cobblestone Trust	$20,000
The Hearing Association Wairarapa Branch Inc	$328
The House of Grace Trust Inc	$1,500
The Lions Club of Featherston Charitable Trust	$1,500
The Manawatu Historic Vehicle Collection Trust	$3,000
The Mauriceville/Kopuaranga Fair Assn Inc	$1,000
The MG Car Club (Wellington Centre) Inc	$2,000
The Orpheus Choir of Wellington Inc	$600
The Reach House Community Trust	$2,000
The YMCA of Greater Wellington Inc	$2,500
Tinui Playgroup	$1,500
UCOL @ Wairarapa - Scholarship	$1,500
Vector Wellington Orchestra	$1,500
Wairarapa Agricultural and Pastoral Society Inc	$4,000
Wairarapa Art Trust Inc	$1,000
Wairarapa Balloon Society Inc	$20,000

Organisation	Approved
Wairarapa Bird Club Inc	$750
Wairarapa Bush Rugby Football Union (Inc)	$37,500
Wairarapa Citizens Advice Bureau	$636
Wairarapa College	$1,500
Wairarapa College - 1st XI Boys Hockey	$500
Wairarapa College - 1st XI Girls Hockey	$500
Wairarapa College - 1st XI Girls Soccer Team	$500
Wairarapa College Senior A Netball	$500
Wairarapa Community Centre Inc	$20,000
Wairarapa Cultural Trust Inc	$35,000
Wairarapa Districts Darts Assn Inc	$1,000
Wairarapa Dog Obedience Club Inc	$450
Wairarapa Dressage Group	$950
Wairarapa Embroiders Guild	$500
Wairarapa Hockey Association Inc	$2,000
Wairarapa Inter-Collegiate Speech Competition	$1,000
Wairarapa Jetsprint Club	$7,500
Wairarapa Kennel Association Inc	$1,500
Wairarapa Mathematics Association Inc	$800
Wairarapa Nui Tonu Waka ama Club	$1,000
Wairarapa Organisation for Older Persons Inc	$5,000
Wairarapa Parents Centre	$2,000
Wairarapa Racing Club Inc	$1,000
Wairarapa Regional All Weather Track Trust	$40,000
Wairarapa Swimming Association NZSF	$2,000
Wairarapa United Football Club Inc	$17,500
Wairarapa Wellington Area - NZ Pony Assn Inc	$1,000
Wairarapa Wines Inc	$5,000
Wairarapa Women's Centre Inc	$2,500
Wairarapa Workforce Development Trust	$8,000
Waterside Karori AFC Inc	$1,000
Wellington City Mission Anglican Trust Board	$4,000
Wellington ME/CFS Support Group of Wellington	$500
Wellington Museums Trust - Capital E	$1,500
Wellington Museums Trust Inc	$1,000
Wellington Region Free Kindergarten Assn Inc - Lyall Bay	$750
Wellington Regional Asthma Society Inc	$1,000
Wellington Riding for the Disabled Assn Inc	$1,000
Wellington Sexual Abuse HELP Foundation	$1,000
Whaiora Whanui	$1,000
Wings Over Wairarapa Community Trust	$55,000
Yarns in Barns	$1,500
Total Grants Approved	**$1,880,855**
Grants Reversed/Reduced	**-$17,142**
Total	**$1,863,713**



FLAXMERE LICENSING TRUST

"A Licensing Trust's primary responsibility is to enhance the well-being of its defined community."

PRESIDENT'S REPORT

The members of the Flaxmere Licensing Trust have much pleasure in presenting the Annual Report and Accounts for the year ending 31 March 2012.

HIGHLIGHTS OF THE YEAR

The ongoing relationship that the Trust has with our schools.

- The increasing readiness of our sports clubs to acknowledge their Flaxmere roots.
- The return of $495,266 of community support to Flaxmere
- The opening of the Flaxmere Age Concern's own premises.

OPERATIONAL REVIEW

Reviewing this report over the past few years, one would note the community's excitement at the prospect of a revitalised and socially uniting shopping and sporting centre for Flaxmere. While progress has been positive it has been extremely slow and frustrating, due in the main to the changing responsibility for this progress and personnel driving this development.

This lethargy has added to the challenges the Trust continues to manage, not the least of which has been the price war in "off license sales" precipitated in the main by the emergence of owner operated liquor stores. This regrettably has resulted in the closure of the Trust's stand alone bottle store and the integration of this "off licence" facility back into the tavern. This is not a bad move and is one that would prosper to a much greater extent by a re-development of the total outlet, a move we are impatient to see but remain frustrated by delays in the promised Council re-development of the Flaxmere village. The key requirement for this reinvestment is to have the village centre opened up to through traffic and the linking together of the communities facilities, including the Trust's. For this to become a reality, access to the centre must link easily with connecting roads such as Peterhead Avenue. As soon as this is established and the Trust's facility is allowed to become integrated with the other village entities, redevelopment of the tavern and the provision of a much needed dining wing will become viable and would be progressed with urgency.

Despite the frustrations expressed above, trading during the year has continued in a positive manner despite the current economy. This is again attributable to the ample work that is provided by the horticultural and farming activities that surround our suburb and the management expertise of Trust House Ltd personnel.

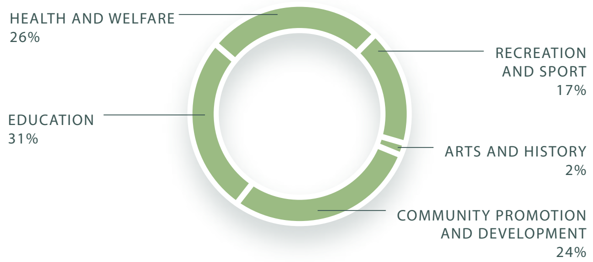
COMMUNITY SUPPORT

This past year has seen a further $495,266 returned to Flaxmere in support of 68 organisations contributing to the betterment of our community. The major beneficiary of the funding has been education and the development of youth. Through working closely with our five schools the Trust has been able to provide advanced teaching aids (Interactive White Boards and supporting technology) and through this, excellent teachers have been attracted to our schools. The pupils have thrived on this combination, a claim that is supported by numerous reports and unsolicited comment.

In parallel with this effort, much support is also given to sport in our community where emphasis is placed on good coaching, smart playing strips, good sportsmanship and the development of our youth. It is pleasing to note that our clubs are also beginning to promote Flaxmere through the inclusion of Flaxmere in their names and on their playing strip.

Health and community activities are also encouraged. An example of which is the Flaxmere Family Day where the community comes together to enjoy a day of gala fun and one full of local musical talent. A further example is the Flaxmere Trust Community Biathlon where training and fitness is encouraged and brought to the fore.

Following is a pie chart depicting how the $495,266 of support for 2011/12 was allocated for the benefit of the Flaxmere Community.



STAFF

It is again appropriate to thank the Flaxmere staff for their support during the year and for the contribution they have made towards the success of the operation.

The contribution made by the staff of Trust House Ltd must also be acknowledged. The wisdom, professionalism and experience they offer have been a critical factor in the success of our Trust. Their enthusiasm for the concept of community ownership is special and is a major force behind the Flaxmere Licensing Trust. Thank you all once again for your effort and support.

TRUSTEES OF THE FLAXMERE LICENSING TRUST

Ken Kibblewhite, President. Martha Greening
Bronwen Hopkins, Warwick Howie, Bert Lincoln
Jacob Poulain.

Ken Kibblewhite
President, For Trustees

INCOME STATEMENT

For the year ended 31 March 2012

Income	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Revenue		51,649	9,580	-	-
Interest received		14,965	15,595	3,428	3,508
Total income		66,614	25,175	3,428	3,508
Operating expenses					
Administration and financial		37,780	7,259	8,698	6,164
Audit fees		7,812	6,900	4,256	3,450
Trustees fees		13,100	13,400	-	-
Total operating expenses		58,692	27,559	12,954	9,614
Net surplus / (deficit) before tax and charitable donations		**7,922**	**(2,384)**	**(9,526)**	**(6,106)**
Charitable donations		(17,149)	(9,580)	-	-
Tax expense	7	-	-	-	-
Net surplus / (deficit) for year		**(9,227)**	**(11,964)**	**(9,526)**	**(6,106)**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net Surplus / (deficit) for the year		(9,227)	(11,964)	(9,526)	(6,106)
Other comprehensive income		-	-	-	-
Total comprehensive income		**(9,227)**	**(11,964)**	**(9,526)**	**(6,106)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Equity at start of the year		1,626,458	1,638,422	1,168,540	1,174,646
Total comprehensive income		(9,227)	(11,964)	(9,526)	(6,106)
Equity at end of the year		**1,617,231**	**1,626,458**	**1,159,014**	**1,168,540**

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Current assets					
Cash and cash equivalents	4	135,717	148,643	130,418	140,992
Short term investments	5	82,671	78,585	-	-
Receivables and prepayments		1,921	2,171	-	-
Taxation receivable		2,112	1,084	2,112	1,084
Total current assets		222,421	230,483	132,530	142,076
Non-current assets					
Investments	6	1,405,740	1,405,740	1,030,740	1,030,740
Total non-current assets		1,405,740	1,405,740	1,030,740	1,030,740
Total assets		1,628,161	1,636,223	1,163,270	1,172,816
Current liabilities					
Trade and other payables	10	8,930	9,765	4,256	4,276
Charitable distributions due		2,000	-	-	-
Total current liabilities		10,930	9,765	4,256	4,276
Non-current liabilities					
Deferred tax liability	7	-	-	-	-
Total non-current liabilities		-	-	-	-
Equity					
Retained earnings		1,617,231	1,626,458	1,159,014	1,168,540
Total equity		1,617,231	1,626,458	1,159,014	1,168,540
Total liabilities and equity		1,628,161	1,636,223	1,163,270	1,172,816

Signed on behalf of Flaxmere Licensing Trust

Ken Kibblewhite
President

B J Teahan
Chief Executive

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Cash flows from operating activities					
Cash was provided from:					
Grants received		51,649	9,580	-	-
Interest received		15,215	15,235	3,428	3,508
Tax refund		-	29,411	-	29,411
		66,864	54,226	3,428	32,919
Cash was applied to:					
Payments to suppliers and employees		59,527	39,187	12,974	8,713
Charitable donations		15,149	9,580	-	-
Tax paid		1,028	1,084	1,028	1,084
		75,704	49,851	14,002	9,797
Net cash flows from operating activities	8	**(8,840)**	**4,375**	**(10,574)**	**23,122**
Cash flows from investing activities					
Cash was applied to:					
Increase in short term deposits		(4,086)	(3,376)	-	-
		(4,086)	(3,376)	-	-
Net cash flows from investing activities		**(4,086)**	**(3,376)**	-	-
Net (decrease) / increase in cash held		(12,926)	999	(10,574)	23,122
Opening cash balance		148,643	147,644	140,992	117,870
Closing cash balance		**135,717**	**148,643**	**130,418**	**140,992**
This balance is made up as follows:					
Cash and cash equivalents		135,717	148,643	130,418	140,992
		135,717	**148,643**	**130,418**	**140,992**

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Sale of Liquor Act 1989. The Flaxmere Licensing Trust is a licensing trust established in accordance with the Sale of Liquor Act 1989. The consolidated financial statements of Flaxmere Licensing Trust as at and for the year ended 31 March 2012 comprise of the Flaxmere Licensing Trust and Flaxmere Licensing (Charitable) Trust (a controlled entity).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Trustees on 8 May 2012.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement Base

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Flaxmere Licensing Trust and its subsidiary at 31 March each year ('the Group').

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a term of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Investments in equity securities

Investments in equity securities held by the Group are measured at cost.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

Income Tax

The Flaxmere Licensing Trust is subject to income tax, but the Flaxmere Licensing (Charitable) Trust is exempt from income tax as a charity.

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have become enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would flow from the manner in which the entity expects to recover or settle the carrying amount of is assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the Statement of Financial Performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax

These accounts are prepared on a GST inclusive basis as the Trust cannot claim GST on its expenses.

Charitable Donations

Charitable Donations are recognised when approval is given.

Critical accounting estimates and assumptions

In preparing these financial statements Flaxmere Licensing Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CASH AND CASH EQUIVALENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Bank balances	135,717	148,643	130,418	140,992
Cash and cash equivalents	135,717	148,643	130,418	140,992

The carrying value of cash and cash equivalents approximate their fair value.

5. SHORT TERM INVESTMENTS

As at balance date the following term deposits were held

	Registered Bank	Interest Rate	Term	Matures	$
2012	ANZ National Bank	4.35% p.a.	1 year	20 September 2012	82,671
2011	ANZ National Bank	5.20% p.a.	1 year	20 September 2011	78,585

6. INVESTMENTS

These investments are considered to be long term. Details of shares are:

	Group 2012	Group 2011	Parent 2012	Parent 2011
Trust House Ltd – number of shares held	487,000	487,000	337,000	337,000
	$	$	$	$
Trust House Ltd – value of shares at cost	1,180,740	1,180,740	1,030,740	1,030,740
Term loan to Trust House Ltd	225,000	225,000	-	-
	1,405,740	1,405,740	1,030,740	1,030,740

The loan to Trust House Limited is repayable on demand and is not secured. The interest rate applicable as at 31 March 2012 was 3.25% (2011: 3.5%). Interest received in 2011/12 was $7,662 (2011: $7,875).

7. TAXATION

The Taxation Expense has been calculated as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Components of tax expense				
Current tax	-	-	-	-
Prior period adjustments	-	-	-	-
	-	-		-
Surplus before tax and donations	7,922	(2,384)	(9,526)	(6,106)
Charitable donations	(17,149)	(9,580)	-	-
Surplus before Tax	(9,227)	(11,964)	(9,526)	(6,106)
Taxation at 28% (2011:30%)	(2,584)	(3,589)	(2,667)	(1,832)
Plus (less) tax effect of:				
Non taxable income	(83)	1,757	-	-
Tax loss not recognised	2,667	1,832	2,667	1,832
Taxation expense	-	-	-	-

Tax losses of $68,361 (2011: $57,167) are available to carry forward and offset against future taxable income.

8. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

The reconciliation of net surplus to net cash inflows from operating activities is as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net surplus / (deficit) for year	(9,227)	(11,964)	(9,526)	(6,106)
Add (less) movements in working capital items				
(Increase)/decrease in receivables and prepayments	250	(360)	-	-
Increase/(decrease) in payables and accruals	(835)	(11,964)	(20)	901
Increase/(decrease) in charitable Distributions due	2,000	-	-	-
(Increase)/decrease in provision for taxation	(1,028)	28,327	(1,028)	28,327
	387	16,339	(1,048)	29,228
Add (less) movements in deferred tax				
Increase/(decrease) in deferred tax	-	-	-	-
Net cash flow from operating activities	(8,840)	4,375	(10,574)	23,122

9. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has no contingent liabilities or commitments as at 31 March 2012 (2011: Nil).

10. FINANCIAL INSTRUMENTS

Classification and fair value

The carrying amount of financial instruments approximates their fair value.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Trust's business.

Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity requirements on an ongoing basis. In general, the Trust generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities:

	12 months or less	1-2 years $	2-5 years $	More than 5 years $
Group				
2011 Trade and other payables	9,765	-	-	-
2012 Trade and other payables	8,930	-	-	-
Charitable distributions due	2,000	-	-	-
	10,930	-	-	-
Parent				
2011 Trade and other payables	4,276	-	-	-
2012 Trade and other payables	4,256	-	-	-

11. RELATED PARTY TRANSACTIONS

(a) Trust House Charitable Trust

The President of the Flaxmere Licensing Trust is a Trustee of the Trust House Charitable Trust. By arrangement, the Trust House Charitable Trust accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in Trust House Ltd premises.

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds available 1st April	147,497	209,482
Net surplus before charitable distributions	48,448	507,115
Grants unclaimed	15,983	39,167
Grants approved	(211,928)	(608,267)
Funds available 31st march	-	147,497

In 2011/12 the Trust House Charitable Trust made charitable distributions of $10,000 to the Flaxmere Licensing (Charitable) Trust (2010/11: $9,580).

In 2011/12 the Trust House Charitable Trust paid the Flaxmere Licensing (Charitable) Trust $5,750 for services on behalf of the Trust House Charitable Trust (2011: $Nil).

RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Trust House Foundation

The president of the Flaxmere Licensing Trust is a Trustee of the Trust House Foundation. From 23rd May 2011 by arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Flaxmere Licensing (Charitable) Trust for grants to be distributed within their area, from the proceeds of the gaming machines in Trust House Ltd premises.

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds available 1st April	-	-
Net surplus before charitable distributions	401,455	-
Grants unclaimed	6,851	-
Grants approved	(283,338)	-
Funds available 31st March	124,968	-

In 2011/12 the Trust House Foundation made charitable distributions of $7,149 to the Flaxmere Licensing (Charitable) Trust (2010/11: $Nil). In 2011/12 the Trust House Foundation paid the Flaxmere Licensing (Charitable) Trust $28,750 for services on behalf of the Trust House Foundation (2011: $Nil).

(c) Key management personnel

Key management personnel comprises of the Trustees of the Flaxmere Licensing Trust.

	Group 2012 $	Group 2011 $
Key management personnel		
Trustees fees and other short term benefits	13,100	13,400
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	13,100	13,400

12. CAPITAL MANAGEMENT

The Trust's capital includes retained earnings. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Trust's equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Trust's equity is to ensure the Trust achieves its goals and objectives for which it has been established, whilst remaining a going concern.

13. PRIOR YEAR RESTATEMENT

The prior year figures in these accounts have been restated to include an increase in expenses and payables and accruals of $584 for an invoice, which was previously not accrued, that related to the 2011 year.

INDEPENDENT AUDITOR'S REPORT

To the readers of Flaxmere Licensing Trust and Group's financial statements for the year ended 31 March 2012

The Auditor-General is the auditor of Flaxmere Licensing Trust (the Trust) and Group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and Group, on her behalf.

We have audited the financial statements of the Trust and Group on pages 97 to 104, that comprise the Statement of Financial Position as at 31 March 2012, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion, the financial statements of the Trust and group on pages 97 to 104:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
  - financial position as at 31 March 2012; and
  - financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and group's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from the Sale of Liquor Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Sale of Liquor Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Trust or its subsidiary.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Flaxmere Licensing Trust and Group for the year ended 31 March 2012 included on the Flaxmere Licensing Trust website. The Trustees are responsible for the maintenance and integrity of the Flaxmere Licensing Trust website. We have not been engaged to report on the integrity of Flaxmere Licensing Trust website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2012 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions

Organisation	Approved
Accident Injury Support Trust	$7,500
Agape Tautoko He Oranga Mo te Whanau Charitable Trust	$2,500
Basketball Hawkes Bay	$5,000
Birchleigh Polo	$5,314
Birthright Hawkes Bay Child and Family Care Trust	$5,000
Blue Light Ventures	$6,000
Box For Life	$6,000
Brain Injury Association (HB) Inc	$2,000
Cook Islands Community Centre Society Inc HB	$5,106
Cranford Hospice (Presbyterian Support East Coast)	$15,000
Ellen Stevenson Kindergarten	$2,443
Family Works Hastings (PS East Coast)	$18,000
Family Works Hawkes Bay (PS East Coast)	$10,000
Flaxmere Community Patrol	$14,700
Flaxmere Licensing (Charitable) Trust	$14,000
Flaxmere Licensing (Charitable) Trust - Scholarship	$6,000
Flaxmere Manawahine Softball Club	$3,000
Flaxmere Planning Committee	$14,079
Flaxmere Schools Cluster	$100,000
Flaxmere Softball Club	$12,000
Friends of the Hospital	$612
Guides New Zealand Heretaunga District	$1,000
Hastings District Council	$24,870
Hastings Foodbank Trust	$5,000
Hastings Swimming Charitable Trust	$20,000
Hastings West Ross Shield	$5,552
Hawkes Bay Cook Island Netball Club	$2,500
Hawkes Bay Maori Business Network	$5,000
Hawkes Bay Racing Inc	$2,000
Hawkes Bay Regional Orchestra	$6,000
Hawkes Bay Regional Sports Park Trust	$2,500
Hawkes Bay Softball Association	$8,000
Heretaunga Swimming Club	$3,000
Heretaunga Women's Centre Inc	$4,000
Hibernian AFC Inc	$5,000

Organisation	Approved
Irongate Kindergarten	$16,000
Jireh Charitable Trust Hawkes Bay	$8,000
Kiwi Adventure Trust	$3,000
Koru Youth Trust (Hawkes Bay)	$3,000
Leg Up Trust Inc	$5,682
Lifeline Hawkes Bay Inc	$3,000
MAC Sports Association	$3,000
Ocean Beach Kiwi Surf Patrol Inc	$3,385
Parents Incorporated Attitude Division	$1,000
Peterhead Kindergarten	$10,000
Purena Koa Rehua Youth Services	$8,000
RNZPS Hawke's Bay Area Inc	$20,000
Samoan Methodist Youth Hastings	$3,000
Samoan Unity Christian Church - Flaxmere	$1,500
SPELD Hawkes Bay Inc	$3,000
Sport Hawkes Bay	$14,000
Stroke Foundation - Central Region Inc	$5,000
Swim Hawkes Bay	$5,000
Tamatea Rugby League Club Inc	$6,000
Te Aka (2010) Charitable Trust	$5,000
Te Kura Kaupapa Maori o Ngati Kahungunu Ki Heretaunga	$342
Te Marama Learning Centre	$3,500
Te Tai Timu Trust	$3,000
Tino Tapuaki Tuvalu Hawkes Bay New Zealand	$2,500
Waimarama Surf Lifesaving Club Inc	$2,681
WYNRS NZ Trust	$8,000
Total Grants Approved	**$495,266**
Grants Reversed/Reduced	**-$10,851**
Total	**$484,415**

RIMUTAKA LICENSING TRUST

"One of the first mandates given to a Licensing Trust was to control or monitor the sale of sensitive products."

PRESIDENT'S REPORT

On behalf of the elected Board of the Rimutaka Licensing Trust, I present this report covering the year ended March 31, 2012.

In the past few years, it had been my pleasure to report good profits despite difficult trading, but unfortunately that is most definitely not the case this year.

MAJOR POINTS FOR THE YEAR

- Donations totalling $377,665 were approved by the Rimutaka Trust (2011: $437,452).
- An operating loss was incurred – ($17,636) (2011: $101,367 profit).
- A consequent decrease in equity to $1,653,695 (2011: $1,682,223).

LICENSING TRUST - OPERATIONS

Although market conditions have remained difficult, it is not the conditions that have caused the turn-around in our business, but the advent of very active competition. From having the only Off Licence in the area, we were joined during the year by not one but two competitors and this has had a dramatic effect on our Liquorland. On Licence trading has remained virtually the same as previous years, but the reduction on the Off Licence side has been wholly responsible for the trading loss.

During the year, we have had a change of manager with Renee Boynton moving on to further her career, and I extend our thanks to her and our appreciation of her service, together with our best wishes for her future. We welcome Raewyn Richardson to the Rimutaka Tavern as Renee's replacement, and wish her well in her new assignment. The Trust House management team have spared no effort in managing our business, and to them I extend thanks on behalf of the Board. We are indeed fortunate to have access to the wealth of experience that our relationship brings to us.

There continues to be much planning work towards a rebuilding of our facility, but of course an unsatisfactory trading result does nothing to assist in this. Nevertheless, we are continuing to foresee a new tavern in the short to medium term.

RIMUTAKA TRUST

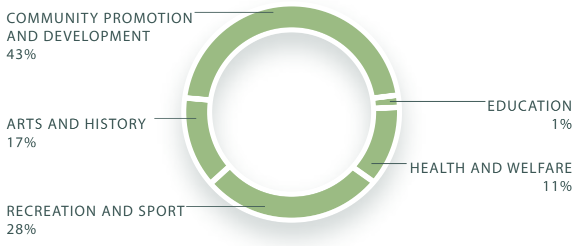
In an environment in which the number of gaming machines and the turnover continue to drop nationwide, we have achieved a reduced but satisfactory distribution to a total of 40 community groups who received $377,665 of support in the twelve months to March 31 2012.

Recipients of major support include the Tararua Sports Club (Upper Hutt City Soccer) in support of their continued coaching programme, the Upper Hutt Women's Centre Annual Spring Festival, 41 Club's Clean New Zealand Week, and Upper Hutt Rotary's fireworks display. Also supported was the Soul City Church Trust's Carols in the Park, plus Expressions Arts and Entertainment Centre Queen's Birthday Jazz and Blues festival.

A novel project supported was the Upper Hutt City Council's "Welcome to Upper Hutt" sign on State Highway 2.

Further support was given to the Rimutaka Incline Railway Heritage Trust towards their restoration project, and to the Upper Hutt Multiethnic Council towards the cost of their Annual Football Tournament.

Despite there being less funds to disperse, the Board has worked to provide as wide a distribution as possible, is reflected in the following pie chart:



A Private Member's Bill currently before Parliament would, if implemented, have a major effect of both the raising and distribution of gaming funds, and our position on this matter will become very public as we work to protect the rights of our community partners.

COMMUNITY RELEVANCE

It will be obvious to readers of this report that the Board of the Rimutaka Licensing Trust has quite some work ahead of it in order to complete planning of and institute a building programme for a new tavern, and in particular to monitor and react to market conditions of the time. This we will continue to do, and in the very near future we will have to make some bold decisions with regard to financing of a proposed project. The Board considers that it has been elected with a mandate from the community to manage the business on behalf of that community, and it is inevitable that we will seek community feedback as the project progresses.

The most pressing imperative is that we continue to trade with a satisfactory result in an environment of ever-increasing difficulty, and we must continue to so in a manner that meets the expectations of our community.

As in past years, I extend my thanks to those of my fellow Board Members who have put in the effort necessary to achieve this year's outcomes.

T E Jones
President

INCOME STATEMENT

For the year ended 31 March 2012

Income	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Revenue		1,835,388	2,018,964	1,824,540	2,006,964
Other income		168,857	191,340	134,357	157,215
Total revenue		2,004,245	2,210,304	1,958,897	2,164,179
Less cost of sales		1,400,596	1,494,100	1,400,596	1,494,100
Total net income		**603,649**	**716,204**	**558,301**	**670,079**
Operating expenses	4	633,765	612,707	578,319	564,827
Results from operating activities		(30,116)	103,497	(20,018)	105,252
Finance income		12,480	14,299	11,407	12,913
Finance costs		-	-	14,768	16,798
Net finance income /(expense)		12,480	14,299	(3,361)	(3,885)
Net operating profit/(deficit) before tax		**(17,636)**	**117,796**	**(23,379)**	**101,367**
Charitable donations		(10,892)	(13,690)	-	-
Tax expense	14	-	(5,644)	-	(5,644)
Net surplus/(deficit)		**(28,528)**	**98,462**	**(23,379)**	**95,723**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net surplus/(deficit) for year	(28,528)	98,462	(23,379)	95,723
Land and building revaluation	-	287,164	-	287,164
Total comprehensive income for the period	**(28,528)**	**385,626**	**(23,379)**	**382,887**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Equity at start of the year	1,682,222	1,296,596	1,313,611	930,724
Total comprehensive income	(28,528)	385,626	(23,379)	382,887
Equity at end of the year	**1,653,694**	**1,682,222**	**1,290,232**	**1,313,611**

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Current assets					
Cash and cash equivalents		413,413	496,293	363,201	441,038
Receivables and prepayments	6	50,735	42,470	50,735	42,470
Inventories		170,119	156,855	170,119	156,855
Tax paid in advance		6,130	-	6,130	-
Total current assets		640,397	695,618	590,185	640,363
Non-current assets					
Property, plant and equipment	7	1,197,792	1,218,838	1,197,792	1,218,838
Total non-current assets		1,197,792	1,218,838	1,197,792	1,218,838
Total assets		1,838,189	1,914,456	1,787,977	1,859,201
Current liabilities					
Trade and other payables	8	153,462	186,958	149,712	183,314
Employee entitlements	9	31,033	44,619	31,033	44,619
Total current liabilities		184,495	231,577	180,745	227,933
Non-current liabilities					
Employee entitlements	9	-	657	-	657
Borrowings	10	-	-	317,000	317,000
Total non-current liabilities		-	657	317,000	317,657
Equity					
Retained earnings	12	1,177,530	1,206,058	814,068	837,447
Asset revaluation reserve	5	476,164	476,164	476,164	476,164
Total equity		1,653,694	1,682,222	1,290,232	1,313,611
Total liabilities and equity		1,838,189	1,914,456	1,787,977	1,859,201

Signed on behalf of the Rimutaka Licensing Trust

T E Jones
President

B J Teahan
Chief Executive

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

For the year ended 31 March 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		1,956,178	2,168,551	1,956,178	2,168,551
Grants received		45,348	46,125	-	-
Interest received		12,480	14,299	11,407	12,913
		2,014,006	2,228,975	1,967,585	2,181,464
Cash was applied to:					
Payments to suppliers and employees		2,074,220	2,160,939	2,018,880	2,113,047
Charitable donations		10,892	13,690	-	-
Interest paid		-	-	14,768	16,801
Tax paid		11,774	-	11,774	-
		2,096,886	2,174,629	2,045,422	2,129,848
Net cash flows from operating activities	15	(82,880)	54,346	(77,837)	51,616
Cash flows from investing activities					
Cash was applied to:					
Purchase of plant, property and equipment		-	21,081	-	21,081
		-	21,081	-	21,081
Net cash flows from investing activities		-	(21,081)	-	(21,081)
Net (decrease) / increase in cash held		(82,880)	33,265	(77,837)	30,535
Opening cash balance		496,293	463,028	441,038	410,503
Closing cash balance		**413,413**	**496,293**	**363,201**	**441,038**
This balance is made up as follows:					
Cash and cash equivalents		413,413	496,293	363,201	441,038
		413,413	**493,293**	**363,201**	**441,038**

The accompanying notes and accounting policies form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF ACCOUNTING POLICIES

1. REPORTING ENTITY

These financial statements have been prepared in accordance with the Sale of Liquor Act 1989. The Rimutaka Licensing Trust is a licensing trust established in accordance with the Sale of Liquor Act 1989. The consolidated financial statements of Rimutaka Licensing Trust as at and for the year ended 31 March 2012 comprise of the Rimutaka Licensing Trust and the Rimutaka Trust.

Rimutaka Licensing Trust is primarily involved in the hospitality industry running a bar and bottle store.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting exemptions.

The Trust qualifies for differential reporting exemptions as it has no public accountability (as defined in the differential reporting framework) and is small.

The only differential reporting exemption applied by the Trust is in relation to NZ IAS 12 Income Tax where the taxes payable method is used and deferred tax liabilities are not shown on the Balance Sheet.

The financial statements were approved by the Trustees on 11 June 2012.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Measurement base

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Trusts functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(d) Use of critical estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Rimutaka Licensing Trust and Rimutaka Trust as at 31 March each year ('the Group').

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents comprise cash balances, call deposits and term deposits with a duration of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments and are measured at amortised cost.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Property, plant and equipment

Recognition and measurement

Land and buildings are revalued every three years to their fair value as determined by an independent registered valuer by reference to their highest and best use. Additions between revaluations are recorded at cost.

The results of land and buildings are credited or debited to an asset revaluation reserve on an asset by asset basis. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Income Statement.

Plant and equipment and motor vehicles are initially recorded at cost, and depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is calculated on a diminishing balance basis on all fixed assets, other than freehold land and items under construction, at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The depreciation rates for property, plant and equipment are as follows:

Buildings – structure	3%
Buildings – services and fit out	6.5%
Furniture, equipment and plant	6.7% - 20%
Motor vehicles	14-20%

When the components of an item of property, plant and equipment have different useful lives or provide benefits to the entity in different patterns, thus requiring different depreciation rates and methods, the cost of the item is allocated to its component and each component is accounted for separately.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

(i) Impairment of receivables

All individual receivables which are considered to be significant are evaluated on a case by case basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Inventories

Inventories are valued at the lower of cost, on a weighted average basis, and net realisable value.

Employee Entitlements

Annual leave and other entitlements that are expected to be settled within 12 months of reporting date are measured at nominal values on an actual entitlement basis at a current rate of pay.

A provision for sick leave is recognised where employees have over the past two years taken more sick leave than their yearly allowance and still have accrued sick leave entitlements at year end. The provision is calculated as the number of excess sick leave days over the employees entitlement expected to be taken in the next 12 months times the employees' daily rate.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

Long term debt is recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Income Tax

Income tax expense is calculated using the taxes payable method.

Goods and Services Tax

These accounts are prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Receivable or Accounts Payable (as appropriate). The net GST paid or received from the IRD including the GST relating to investing and financial activities, is classified as an operating cash flow in the Cash Flow Statement.

Charitable Donations

Charitable Donations are recognised when approval is given.

Changes in Accounting Policy

All accounting policies have been consistently applied.

4. OPERATING EXPENSES

Details of operating expenses are:

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Administration and financial		157,964	151,075	120,274	120,037
Advertising and promotion		32,021	33,717	32,021	33,717
Audit fees (for annual audit)		13,266	12,450	9,710	9,000
Movement in doubtful debt provision		(6,838)	(3,102)	(6,838)	(3,102)
Loss /(profit) on sale of fixed assets		-	-	-	-
Depreciation	7	21,046	27,914	21,046	27,914
Lease expenses		31,163	24,648	31,163	24,648
Property expenses		83,435	73,974	83,435	73,974
Staff costs		280,205	276,808	280,205	276,808
Trustee fees and expenses		21,503	15,223	7,303	1,831
		633,765	612,707	578,319	564,827

5. REVALUATION RESERVE

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Opening balance 1 April	476,164	189,000	476,164	189,000
Asset revaluation	-	287,164	-	287,164
Closing balance 31 March	476,164	476,164	476,164	476,164

6. RECEIVABLES AND PREPAYMENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Trade debtors	27,891	37,110	27,891	37,110
Provision for doubtful debts	(10,656)	(17,494)	(10,656)	(17,494)
	17,235	19,616	17,235	19,616
Bonds	10,100	10,100	10,100	10,100
Prepayments	12,286	6,740	12,286	6,740
Sundry	11,114	6,014	11,114	6,014
	50,735	42,470	50,735	42,470

7. PLANT, PROPERTY AND EQUIPMENT

Group and Parent	Land and buildings $	Furniture and plant $	Motor vehicles $	Total $
Cost or deemed cost				
Balance at 1 April 2010	912,774	85,607	21,869	1,020,250
Additions	7,412	3,540	-	10,952
Revaluation	229,814	-	-	229,814
Balance at 31 March 2011	1,150,000	89,147	21,869	1,261,016
Balance at 1 April 2011	1,150,000	89,147	21,869	1,261,016
Balance at 31 March 2012	1,150,000	89,147	21,869	1,261,016
Depreciation and impairment losses				
Balance at 1 April 2010	38,967	24,872	7,775	71,614
Depreciation for the year	18,383	7,076	2,455	27,914
Revaluations	(57,350)	-	-	(57,350)
Balance at 31 March 2011	-	31,948	10,230	42,178
Balance at 1 April 2011	-	31,948	10,230	42,178
Depreciation for the year	12,775	6,255	2,016	21,046
Balance at 31 March 2012	12,775	38,203	12,246	63,224
Carrying amounts				
At 1 April 2010	873,807	60,735	14,094	948,636
At 31 March 2011	1,150,000	57,199	11,639	1,218,838
At 1 April 2011	1,150,000	57,199	11,639	1,218,838
At 31 March 2012	1,137,225	50,944	9,623	1,197,792

Land and buildings were valued at fair value as at 31 March 2011 by an independent registered valuer, Mr Jerome McKeefry (BBS (VPM), Dip BS (Fin), MPINZ) of Telfer Young (Wellington) Ltd registered valuers.

The valuations were primarily based on the rental capitalisation methodology; depreciated replacement cost is used as a support method.

8. TRADE AND OTHER PAYABLES

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Trade creditors	91,825	134,465	91,631	134,270
GST payable/(receivable)	9,184	17,653	9,184	17,653
Income tax	-	5,644	-	5,644
Accrued expenses	52,453	29,196	48,897	25,747
	153,462	186,958	149,712	183,314

9. EMPLOYEE ENTITLEMENTS

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Accrued pay	4,136	8,070	4,136	8,070
Annual leave	26,897	36,549	26,897	36,549
Long service leave	-	657	-	657
	31,033	45,276	31,033	45,276

10. BORROWINGS

Details of term loans are:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Term Loan from the Rimutaka Trust	-	-	317,000	317,000
	-	-	317,000	317,000

The interest rate applicable as at 31 March 2012 was 4.50% (2011: 5.00%). Interest paid in 2011/12 was $14,768 (2010/11: $16,798).

Security is provided to lenders by way of first and second mortgages over the Rimutaka Licensing Trust's property.

11. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and liquidity risk arises in the normal course of the Group's business.

Credit Risk

Management has a process in place under which each new customer seeking credit with the Group is individually analysed for credit worthiness and assigned a purchase limit before credit is offered.

The Group's exposure to credit risk is mainly influenced by its customer base; as such it is concentrated to the default risk of its industry. No single customer balance would be considered material.

Investments are allowed only in call or short term deposits with specified counterparties.

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Other market price risk

The Group is not exposed to substantial other market price risk arising from financial instruments.

FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative disclosures

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities:

	Balance sheet $	12 months or less $	1-2 years $	2-5 years $	More than 5 years $
Group 2012					
Trade and other payables	153,462	153,462	-	-	-
Total non-derivative liabilities	153,462	153,462	-	-	-
Group 2011					
Trade and other payables	186,958	186,958	-	-	-
Total non-derivative liabilities	186,958	186,958	-	-	-
Parent 2012					
Trade and other payables	149,712	149,712	-	-	-
Borrowings	317,000	14,265	324,133	-	-
Total non-derivative liabilities	466,712	163,977	324,133	-	-
Parent 2011					
Trade and other payables	183,316	183,316	-	-	-
Borrowings	317,000	15,850	15,850	324,925	-
Total non-derivative liabilities	500,316	199,166	15,850	324,925	-

Classification and fair value

The carrying amounts of financial instruments approximates their fair value.

12. RETAINED EARNINGS

Retained earnings	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Retained earnings at 1 April	1,206,058	1,107,596	837,447	741,724
Net surplus	(28,528)	98,462	(23,379)	95,723
Retained earnings at 31 March	1,177,530	1,206,058	814,068	837,447

13. BANK OVERDRAFT FACILITY

The Trust has a bank overdraft facility with the ANZ National Bank of $60,000. This facility is secured by a general security over the Trust's assets and a first charge registered mortgage over some of the Trust's properties.

14. TAXATION

The taxation expense has been calculated as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Surplus before tax and donations	(17,636)	117,796	(23,379)	101,367
Charitable donations	(10,892)	(13,690)	-	-
Surplus before tax	(28,528)	104,106	(23,379)	101,367
Taxation at 28% (2011: 30%)	(7,988)	31,232	(6,546)	30,410
Plus (less) tax effect of:				
Non taxable income	1,442	(822)	-	-
Temporary differences recognised	(4,954)	(3,395)	(4,954)	(3,395)
Tax loss	11,500	(21,371)	11,500	(21,371)
Taxation expense	-	5,644	-	5,644

Tax losses of $41,073 (2011: $Nil) are available to carry forward and offset against future taxable income.

15. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

The reconciliation of net surplus to net cash inflows from operating activities is as follows:

	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
Net surplus/(deficit) for year	(28,528)	98,462	(23,379)	95,723
Add /(less) non-cash items				
Depreciation	21,046	27,914	21,046	27,914
	21,046	27,914	21,046	27,914
Add (less) movements in working capital items				
(Increase)/decrease in receivables and prepayments	(8,265)	3,422	(8,265)	3,422
(Increase)/decrease in inventories	(13,264)	4,075	(13,264)	4,075
Increase/(decrease) in employee entitlements	(14,243)	1,309	(14,243)	1,309
Increase/(decrease) in payables and accruals	(27,852)	(86,480)	(27,958)	(86,471)
Increase/(decrease) in tax payable	(11,774)	5,644	(11,774)	5,644
	(75,398)	(72,030)	(75,504)	(72,021)
Net cash flow from operating activities	(82,880)	54,346	(77,837)	51,616

16. COMMITMENTS AND CONTINGENCIES

The Group and Parent have no operating lease commitments as at 31 March 2012 (2011 - $Nil).

The Group and Parent had no capital commitments as at 31 March 2012 (2011 - $Nil).

The Group and Parent had contingent liabilities of $10,000 as at 31 March 2012 (2011: $10,000) in relation to guarantees provided by ANZ National Bank on behalf of Rimutaka Licensing Trust.

17. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel comprises the Trustees of the Rimutaka Licensing Trust.

Key management personnel compensation	Group 2012 $	Group 2011 $
Trustees fees and other short term benefits	14,200	13,392
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	14,200	13,392

Rimutaka Trust

The Trustees of the Rimutaka Licensing Trust are also Trustees of the Rimutaka Trust. The Rimutaka Trust has provided term loan finance of $317,000 to the Rimutaka Licensing Trust on an arms length and commercial basis (2011: $317,000).

The interest paid in 2011/12 was $14,768 (2010/11 $16,798).

Trust House Charitable Trust

The President of the Rimutaka Licensing Trust is a Trustee of the Trust House Charitable Trust.

By arrangement, the Trust House Charitable Trust accepts recommendations from the Trustees of the Rimutaka Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Rimutaka Tavern (owned by the Rimutaka Licensing Trust).

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds available 1st April	149,002	123,456
Net surplus before charitable distributions	47,364	448,655
Grants written off / refunded	179	14,343
Grants approved	(196,545)	(437,452)
Funds available 31st March	-	149,002

In 2011/12 the Trust House Charitable Trust paid site rentals of $14,095 to the Rimutaka Licensing Trust (2010/11: $110,932).

In 2011/12 the Trust House Charitable Trust paid the Rimutaka Trust $5,750 for services on behalf of the Trust House Charitable Trust (2010/11: $34,125).

In 2011/12 the Trust House Charitable Trust made charitable distributions of $Nil to the Rimutaka Trust (2010/11: $12,000).

As at 31 March 2012, the Trust House Charitable Trust owed the Rimutaka Licensing Trust $Nil (2010/11: $5,904).

RELATED PARTY TRANSACTIONS (CONTINUED)

Trust House Foundation

The President of the Rimutaka Licensing Trust is a Trustee of the Trust House Foundation.

By arrangement, the Trust House Foundation accepts recommendations from the Trustees of the Rimutaka Trust for grants to be distributed within their area, from the proceeds of the gaming machines in the Rimutaka Tavern (owned by the Rimutaka Licensing Trust).

Details of the funds available and grants approved are:

	2012 $	2011 $
Funds available 1st April	-	-
Net surplus before charitable distributions	346,311	-
Grants written off / refunded	6,944	-
Grants approved	(181,120)	-
Funds available 31st March	172,135	-

In 2011/12 the Trust House Foundation paid site rentals of $85,114 to the Rimutaka Licensing Trust (2010/11: $Nil).

In 2011/12 the Trust House Foundation paid the Rimutaka Trust $28,750 for services on behalf of the Trust House Foundation (2010/11: $Nil).

In 2011/12 the Trust House Foundation made charitable distributions of $10,828 to the Rimutaka Trust (2010/11: $Nil).

As at 31 March 2012, the Trust House Foundation owed the Rimutaka Licensing Trust $11,114 (2010/11: $Nil).

Transactions with key management personnel

During the year the company purchased product and services from "Bold Motors Ltd" a business in which B Bold a Trustee of Rimutaka Licensing Trust has a major shareholding. The value of the services was $807 (2011: $1,252). The balance outstanding at year end was $480 (2011: $Nil).

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

18. CAPITAL MANAGEMENT

The Trust's capital includes retained earnings and asset revaluation reserves. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Trust's equity is largely managed as a by product of managing revenue, expenses, assets and liabilities.

The objective of managing the Trust's equity is to ensure the Trust achieves its goals and objectives for which it has been established, whilst remaining a going concern.

19. SUBSEQUENT EVENTS

There are no subsequent events.

INDEPENDENT AUDITOR'S REPORT

To the readers of Rimutaka Licensing Trust and Group's financial statements for the year ended 31 March 2012

The Auditor-General is the auditor of Rimutaka Licensing Trust (the Trust) and Group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust and Group, on her behalf.

We have audited the financial statements of the Trust and Group on pages 111 to 122, that comprise the Statement of Financial Position as at 31 March 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion, the financial statements of the Trust and Group on pages 111 to 122:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's:
  - financial position as at 31 March 2012; and
  - financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and Group's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust and Group's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from the Sale of Liquor Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Our responsibility arises from section 15 of the Public Audit Act 2001 and the Sale of Liquor Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Trust or its subsidiary.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Rimutaka Licensing Trust and Group for the year ended 31 March 2012 included on the Rimutaka Licensing Trust website. The Trustees are responsible for the maintenance and integrity of the Rimutaka Licensing Trust website. We have not been engaged to report on the integrity of Rimutaka Licensing Trust website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2012 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

Organisation	Approved
Abbat Trust	$1,500
Akatarawa Valley Emergency Response Team	$3,000
Expressions Arts and Entertainment Centre	$38,000
Gliding Hutt Valley (Upper Valley Gliding Club Inc)	$1,975
Heretaunga Boxing Club Inc	$5,200
Heretaunga College Board of Trustees	$3,000
Hutt Valley Gun Club	$9,645
Kartsport Wellington	$10,650
NZ Disabled Bowlers Assn Inc	$1,100
Riding for the Disabled Assn - Hutt Valley Group Inc	$6,000
Rimutaka Trust	$17,250
Rimutaka Incline Railway Heritage Trust	$11,000
Rimutaka Inline Hockey Club Inc	$6,697
Rimutaka Steppers Leisure Marchers	$4,000
Rotary Club of Upper Hutt	$20,000
Royal NZ Plunket Society - Upper Hutt Branch Inc	$6,500
SeniorNet Upper Hutt Inc	$2,000
Soul City Church Trust	$20,000
St Hilda's Anglican Parish of Upper Hutt	$11,631
Tararua Sports Club Inc (Upper Hutt City Soccer)	$52,000
Te Marua Golf Club Inc	$8,000

Organisation	Approved
The Hutt Wrecks	$880
Timberlea Residents' Association (2000)	$5,000
Trentham United Harriers and Walkers Club Inc	$12,000
Upper Hutt Community Rescue	$13,350
Upper Hutt 41 Club	$17,335
Upper Hutt City Council	$32,188
Upper Hutt Darts Association	$500
Upper Hutt Foodbank Inc	$5,000
Upper Hutt Highlander Inc	$3,444
Upper Hutt Junior Netball Club	$1,520
Upper Hutt Multi Ethnic Council Inc	$10,000
Upper Hutt Musical Theatre Inc	$1,000
Upper Hutt Parents Centre Inc	$1,800
Upper Hutt Women's Centre	$29,500
Victim Support Group - Upper Hutt	$5,000
Total Grants Approved	**$377,665**
Grants Reversed/Reduced	**-$7,001**
Total	**$370,664**

Directory

Board of Directors – Trust House Limited

Brian Bourke, CA – Chairman

Stephen Blakemore, B Agr Sc

David Henry, B Com, CA

Jock Kershaw, LLB

John P Moriarty PhD, MPP, ME (Elect), BE (Hons) (Elect) – resigned July 2011

Craig Cooper

Don Baskerville

Trustees – Trust House Charitable Trust

Brian Bourke, CA – Chairman

Stephen Blakemore, B Agr Sc

Ken Kibblewhite, BE (Mech)

Jock Kershaw, LLB

Tom Jones

Craig Cooper

Trustees – Trust House Foundation

Brian Bourke, CA – Chairman

Stephen Blakemore, B Agr Sc

Ken Kibblewhite, BE (Mech)

Jock Kershaw, LLB

Tom Jones

Craig Cooper

Trustees – Masterton Licensing Trust

Brian Bourke, CA – President

Stephen Blakemore, B Agr Sc

Jock Kershaw, LLB

Craig Cooper

Karl Taucher, MNZITT

Ray Southey

Trustees – Flaxmere Licensing Trust

Ken Kibblewhite, BE (Mech) – President

Bronwen Hopkins

Martha Greening

Jacob Poulain

Bert Lincoln

Warwick Howie

Trustees – Rimutaka Licensing Trust

Tom Jones – President

Bruce Bold

Sean Nearey

Ian Sherwin

Bruce Collins

Heather Newell

Solicitor

Logan Gold Walsh, Chapel Street, Masterton

Banker

National Bank of New Zealand

Auditors

Audit New Zealand, by appointment by the Office of the Controller and Auditor General

Senior Management

Bernard Teahan, PhD, MBS, MBA (Dist) – Chief Executive

Allan Pollard – General Manager (Operations)

Richard Simmonds, BCA, CA, MBA – Finance Manager

Andrew Whitehead – Housing Operations Manager

Craig Thomson – Community Support Manager

Peter Rickman, Dip PSM – Human Resources Manager

Theresa Fawdray – Executive Secretary

Outlet Managers / General Managers

Angelique Hansen – Bull and Bear

Jerry Crump – Copthorne Hotel and Resort, Solway Park

Amanda Mitchell – Eketahuna Community Store

Bruce Willoughby – Empire Tavern

Michelle Hopkins – Featherston Community Supermarket

Brenda Bennetts-Green – Featherston Post Shop

Denis Fenwick – Greytown Four Square, Greytown Wines and Spirits

Cindy Grant – Greytown Hotel

Gina Richards – Gusto Café and Bakery

Gareth Teahan – Homestead Complex

Alan Maxwell – Horseshoe Complex

Debbie Blake – Island Bay Bar and Liquorland Island Bay

Kerry Hogan – Kuripuni Sportsbar and Apache Jacks

Steve Little – Liquor Plus! Carterton

Lena Waaka – Liquor Plus! Featherston

Keith Wilson – Liquorland Feilding

Jill Lamb – Liquorland Wairarapa

Debbie Blake – Newtown Sportsbar and Liquorland Newtown

Garry McDowell – Pukemanu Complex

Raewyn Richardson – Rimutaka Sportsbar, Liquorland Rimutaka

Donna Shanahan – Tararua Wines and Spirits

Michael Benefield – The Flaxmere Tavern

Angelique Browne – The Kiwi Pub

Vacant – Liquorland Hutt City

Returning support to the community

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COMMUNITY ENTERPRISE
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